CHAPTER III : ARMY

3.1 Nugatory expenditure of ₹ 88.39 crore in the procurement of Chemical, Biological, Radiological and Nuclear (CBRN) equipment

Injudicious planning for the procurement of nine items under Individual Protective Equipment relating to Chemical, Biological, Radiological and Nuclear equipment resulted in non procurement of NBC suit Permeable, the main constituent of IPE. An expenditure of ₹88.39 crore was incurred on other eight items of IPE without NBC suit Permeable which defeated the purpose of ensuring protection in case of NBC warfare.

Chemical, Biological, Radiological and Nuclear (CBRN) equipment consist of items for providing protection from Chemical, Biological, Radiological, Nuclear agents. These include Individual Protective Equipment (IPE) which are the life saving equipment to ensure full CBRN protection to an individual in case of threat or breakout of Nuclear Biological and Chemical(NBC) warfare / Weapons of Mass Destruction(WMD) including emergency response from any terrorist threat /attack involving CBRN agents. Forty three items are authorized to various formation/units of the Indian Army by GoI, under CBRN warfare protection equipment of which nine items constitute Individual Protective Equipment (IPE). Eight out of these nine items possess shelf life of five years and one item viz. Three Colour Detector Paper (TCDP) has a shelf life of two years only. Ready availability of all these nine items of IPE as a set was essential to ensure full and effective CBRN protection to an individual. However, we observed in March 2013 that AHQ[29] did not procure all the nine items of IPE simultaneously and therefore could not make available the complete set to the troops to avail full CBRN protection. These items were procured piecemeal between 2008 and 2013, thereby denying effective CBRN protection, despite an expenditure of ₹ 88.39 crore incurred for the purpose. The case is discussed below;

AHQ placed supply orders valuing ₹ 120.46 crore on trade[30] during the period 2008 to 2014 for procurement of IPE. Audit noticed that, without ensuring the availability of NBC suit, AHQ procured other eight items of IPE between July 2008 to August 2013 and incurred a total expenditure of ₹ 88.39 crore. All these IPE items except TCDP have a limited shelf life of five years.

[29] Army Headquarters
[30] Private Sector Companies

NBC Suit Permeable was the main item of IPE and without which, IPE remains ineffective. For the procurement of NBC Suit Permeable, AHQ placed two indents on Ordnance Factory Board (OFB) in March 2007 for 5,348 Nos and in June 2008 for 30,380 Nos. However, OFB could not make supplies against these indents and issued a 'No objection certificate' for the second indent to procure the item from trade in September 2011. Accordingly, AHQ placed a supply order in July 2013 on M/s Shri Lakshmi Cotsyn Limited for 30,380 suits for ₹ 34.41 crore. The entire qty 30,380 suits was to be supplied within seven months or earlier after approval of advance sample and bulk orders clearance by AHQ. However, the firm has submitted advance sample to Director General of Quality Assurance in July 2014, which is still awaiting approval. Thus, availability of NBC Suit Permeable was still awaited (August 2014). Procurement of other eight items of IPE without NBC Suit Permeable raises doubt on effective utilization of these stores by users.

In March 2013, a case for non-procurement of all the nine IPE items, as per their authorization, especially in view of their limited shelf life, was taken up by audit with IHQ of MoD[31] (Army) and solicited their views on the non-procurement of all nine items under IPE concurrently. IHQ, in their reply (July 2014) accepted the audit view of non compatibility in procurement and stated that the present system of procurement is guided by DPM 2009 in which Tender Enquiry (TE)/Request for Proposal (RFP) was floated for all separate items of IPE and contract was awarded to different vendors for different items and delivery periods resulting in non-availability of all the IPE items concurrently. The reply is not tenable as the order for NBC Suit Permeable was placed as early as in March 2007 which could not fructify and there is no justification for the procurement of other items without availability of NBC Suit Permeable. Further, AHQ citing DPM 2009 provisions to counter compatibility issue raised by Audit was only an afterthought as supply orders for two items were placed on trade in piecemeal (July 2008 and September 2008) which suggests that compatibility issue was not addressed even before DPM 2009 came into force.

The case revealed that IHQ of MoD incurred an expenditure of ₹ 88.39 crore on procurement of eight items of IPE without ensuring synchronized purchase of NBC permeable suit. Therefore protection and safety of individuals in case of NBC warfare is being compromised.

The case was referred to Ministry in July 2014; their reply was awaited (October 2014).

[31] Integrated Headquarters of Ministry of Defence

3.2 Extra expenditure of ₹ 2.33 crore due to failure to accept the tender for procurement of tea within the validity period

The failure of the Army Purchase Organisation and Integrated Financial Adviser to adhere to the procedure and timeframe prescribed to accept the tender for procurement of 1700 MT tea within the validity period of tenders resulted in extra expenditure of ₹ 2.33 crore.

Army Purchase Organisation (APO) in the Ministry of Defence is responsible for procurement of dry ration items centrally which are delivered to the Armed Forces through Army Service Corps. APO contracts are governed by Manual of Office Procedure for supplies, inspection and disposals of Directorate General of Supplies and Disposals (DGS&D). DGS&D Manual stipulates time period of 21 clear days to be allowed to quote against limited tender enquiries and the tenderers are required to keep their offers open for one month after the date of opening of tender.

For procurement of 1700 Metric Tonne (MT) of Tea for the consumption year 2011-12, APO floated tender enquiry on 03 December 2010 with validity of tender upto 19 January 2011. Tender Purchase Committee (TPC) meeting was held on 20 December 2010 which recommended procurement of 1700 MT of Tea at a total cost of ₹ 15.50 crore from three lowest firms. Case was forwarded to Defence (Finance) for concurrence of procurement of 1700 MT of tea on 05 January 2011.

Defence (Finance) opined on 01 February and 09 February 2011 that the TPC Minutes did not specifically indicate how the rates were compared with either last purchase price or assessed rate and the TPC did not appear to have done a proper analysis. In reply, APO intimated Defence (Finance) on 03 February 2011 that lowest rates had been compared with last purchase price and Wholesale Price Index and were found reasonable. Finally, Defence (Finance) gave concurrence for procurement on 10 March 2011, after 80 days[32] from the opening of the tender, with the advice to include detailed justification in minutes of meetings in future. The firms were approached to extend validity of tender upto 22 March 2011. All the three firms refused to extend validity of their offer and the contracts could not be concluded. CFA accorded approval for retendering the entire quantity of 1700 MT Tea in March 2011.

APO again invited tenders in March 2011 for procurement of 1700 MT Tea with validity of tenders up to 02 May 2011. TPC meeting was held on 31 March 2011 which recommended procurement of 1700 MT Tea for total cost of ₹ 17.83 crore. Accordingly, APO accepted the tenders of three lowest firms at a total cost of ₹ 17.83 crore. Though the value of 1700 MT Tea was almost 15 *per cent* higher than the first bid, TPC recorded that the rates quoted by lowest firms were slightly higher than the previously quoted rates in the TPC

[32] 20 December 2010 to 10 March 2011

held on 20 December 2010. Increase in cost was attributed to changes in packing material and increase in diesel price. But description of packing material mentioned in TPC of March 2011 and December 2010 were similar. Hence the contention of TPC about increase in cost due to change in packing material was not factually correct. Defence (Finance) accepted the reasons and gave concurrence to the proposal on 25 April 2011. Finally, APO issued the Acceptance of Tender to the firms on 18 May 2011 at a total cost of ₹ 17.83 crore which was in excess of ₹ 2.33 crore[33] over first bid.

We pointed out (November 2012) that extra expenditure of ₹ 2.33 crore resulted due to non-adherence of time frame of tender process. In reply APO stated that the delay was on account of procedural process. APO took 80 days to finalise the tender process as against the laid down timeframe of one month from the date of opening the tender. This resulted in expiry of validity period of the bids. The retendering action resulted in enhancement of rates involving extra expenditure of ₹ 2.33 crore which could have been avoided had the laid down procedure and time frame been adhered to by the concerned authorities.

The case was referred to Ministry in May 2014; their reply was awaited (October 2014).

3.3 Loss of revenue due to non-collection of metal scrap from Field Firing Range

Contract for the collection of metal scrap of fired ammunition from Field Firing Range could not be concluded during the year 2008-09. The Military authorities failed to ensure its collection through hired civil labour which ultimately resulted in foregoing of revenue of ₹ 1.92 crore.

Director General Military Training, General Staff Branch of Army Headquarters issued administrative instruction in July 1995 regarding procedure to be adopted for conclusion of contract for metal scrap of fired ammunition from Field Firing Ranges (FFR). The instructions *inter alia* specified that in case the contract is not concluded in time due to unavoidable reasons, it will be ensured by Station Headquarters concerned that the metal scrap is collected through hired civil labour and either be deposited with the Ordnance Depots or auctioned at site. Further, Ministry of Defence (MoD) in June 2002 issued instructions regarding fixation of Reserve Guiding Price (RGP) for metal scrap contracts at FFR. The two parameters for working out RGP were quantity of scrap metal that can be retrieved and prevalent price of metals in the local market.

[33] ₹17.83 crore (second bid)- ₹15.50 crore(first bid)

Adhoc[34] Station Headquarters Pokaran invited tenders in August 2008 for collection and disposal of 285 MT (approx quantity) metal scrap of fired ammunition from Pokaran FFR for the period 16 November 2008 to 30 September 2009 with RGP of ₹ 2.32 crore. However, no contract could be concluded as the highest bidder did not deposit the total bid amount of ₹ 5.59 crore before signing the contract deed and his earnest money deposit (EMD) of ₹ 0.05 crore was forfeited. Station authorities resorted to re-tendering twice but the bidders did not deposit the requisite amount of ₹ 2.59 crore and ₹ 0.70 crore before signing the contract deed in Second and Third call in January 2009 and May 2009 respectively which led to non-conclusion of regular contract and consequent forfeiture of EMD amounting to ₹ 0.35 crore[35].

Two months[36] of collection period[37] had already elapsed and the contracts could not be concluded till January 2009 even in second call. Ad-hoc Station Headquarters Pokaran did not collect metal scrap in January 2009 through hired civil labour despite instruction of Army HQ (July 1995) to ensure collection of metal scrap through hired civil labour in case regular contract for collection of scrap was not finalized, but initiated action for third Call which was opened in May 2009 after four months from second Call. The highest bid showed a decreasing trend as balance collection period had direct impact on retrievable quantity of scrap metal and the amount of bid. The highest bid amount of ₹ 70.11 lakh in third call was 12.54 *per cent* of the highest bid of 1st call. However, case for collection of metal scrap through hired civil labour was initiated in September 2009 i.e. last month of collection period. The Ad-hoc Station Headquarters Pokaran recommended the collection through hired civil labour as cost of collection through hired civil labour was miniscule in comparison to the cost of metal scrap. However, the proposal was turned down by the HQ Southern Command.

Simultaneously Ad-hoc Station Headquarters Pokaran invited tenders (July 2009) for collection of metal scrap for the next year 2009-10 (01 October 2009 to 30 September 2010) for the average quantity of 380 MT likely to be accumulated at the FFR during 2009-10 with RGP of ₹ 1.91 crore and ignored unretrieved 285 MT (approx quantity) metal scrap worth ₹ 2.32 crore for the year 2008-09. A contract for the year 2009-10 for the period from 01 October 2009 to 30 September 2010 was concluded (September 2009) with M/s Jai Shree Trade Link Jodhpur for a sum of ₹ 2.52 crore for assessed quantity of 380 MT.

We enquired (November 2013) about the reasons for not collecting the metal scarp through hired civil labour during collection period November 2008 to

[34] For small Military Station having less number of units provision of adhoc station headquarters instead of full fledged one is made to function with limited powers & the specific purpose
[35] Second call EMD of ₹ 0.10 crore + third call EMD of ₹ 0.25 crore
[36] 16 November 2008 to 16 January 2009
[37] 01November 2008 to 30 September 2009

30 September 2009 as the regular contract could not be concluded in time. In reply, HQ Jodhpur Sub Area stated (April 2014) that HQ Southern Command turned down the proposal twice for collection of scrap through civil labour firstly on the grounds that civil labour cannot be hired from Annual Contingent Grant (ACG) funds and secondly that contract for the year 2009-10 had already been commenced. They further stated that on proportionately reducing the availability of scrap for the balance of contractual period with reference to RGP it was not found to be cost effective. The reply contradicts the recommendation of Ad-hoc Station Headquarters Pokaran that cost of hired civil labour was miniscule in comparison to the cost of metal scrap and also its own action of initiating proposal for collection of metal scrap through hired civil labour.

Thus lack of appropriate action by Army authorities for collection of metal scrap approximate quantity of 285 MT due to failure of auction process led to a loss of ₹ 1.92 crore[38] as the said quantity was neither collected during 2008-09 nor taken into account during next year's bid (2009-10)

The case was referred to Ministry in July 2014; their reply was awaited (October 2014).

3.4 Procurement of defective tyres

Army Headquarters placed supply orders in February 2008 for supply of 3717 Tyres costing ₹ 2.97 crore. The firm was to deliver stores by August 2008. The firm supplied tyres of inferior material quality with manufacturing defects. The purchasing authority of AHQ also did not suspend the procurement of tyres pending finalisation of defect report. Continuance of supply of defective tyres by the firm led to payment of ₹ 2.65 crore.

As per Defence Procurement Manual 2005 a contract can be terminated when the supplier fails to deliver the contracted stores in time or when the item offered by the supplier fails in the inspection and the supplier is not in a position to offer items conforming to the quality standards. Further the Manual provides option for extension in delivery date on merits.

Army Order of 8/93 stipulates that Controllerate of Quality Assurance (Vehicles) is the AHSP[39] in respect of vehicles and is responsible to investigate the defect, finalise the defect report and, pending finalisation of Defect Report[40], would bring to the notice of DGQA[41] all cases which warrant

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[38] RGP of 2008-09 ₹ 2.32 crore Minus ₹ 0.40 crore forfeited on account o EMD during three calls i.e. ₹ 0.05 crore of First Call + ₹ 0.10 crore of Second Call + ₹ 0.25 crore of Third Call

[39] Authority Holding Sealed Particulars

[40] Defect Reports are initiated (i) to pin-point exact cause of the defect, (ii) to suggest remedial measures to overcome the defect and (iii) to approach the supplier to rectify the defect in future supplies and provide free replacement in case it is covered by warranty.

[41] Director General of Quality Assurance

suspension of provision, issue and/ or withdrawal of equipment from users. DGQA would advice the DGOS[42] to take suitable action. In this regard Directorate of Quality Assurance (Armaments) issued instructions (March 2007) to all Controllerates of Quality Assurance that all efforts should be undertaken for finalisation and closure of defect reports within stipulated time frame of three months.

We observed (January 2012) that Army Headquarters[43] had placed a supply order on a firm[44] for supply of 3622 Tyres[45] at a cost of ₹ 2.89 crore in February 2008. Additional quantity (95 Nos.) was ordered in June 2008, raising the total cost of the supply order to ₹ 2.97 crore. The Supply Order contained a condition that in case the defect is attributed to defective material, the firm shall provide pro-rata compensations/replacement. Original delivery period (DP) was upto 31 July 2008 which was amended as 30 August 2008. DP was again extended three times, in September 2008, January 2009 and finally in June 2009 upto 07 September 2009. The firm supplied the entire quantity of 3,717 Tyres between October 2008 and August 2009 and a sum of ₹ 2.65 crore[46] was paid to the firm (December 2009).

During audit it was also observed that Army HQ had placed a supply order for similar type of tyres in December 2006 on the same firm against which defects were noticed (Sept 2008). CQA (BEML) had forwarded (October 2008) the defect report raised against the defects, to CQA (V)[47] and endorsed a copy to Army Headquarters[48] amongst others. CQA (V) carried out Joint Investigation of Defect (JDI) at users premises in November 2008 which revealed manufacturing defect due to inferior material of tyre. CQA (V), however, did not finalize defect report by February 2009, i.e. within three months nor took suitable action to suspend procurement of tyres from the firm against the Supply Order of February 2008/June 2008 pending finalisation of the defect report as required under AO 8/93. JDI was again carried out in May 2009 to investigate the defects in tyres supplied by the firm. The report again highlighted manufacturing process problems and inferior material quality of tyres. CQA (V) intimated Central Ordnance Depot (COD) in December 2009, i.e. after receipt of entire quantity against supply order of February 2008, not to issue tyres to user units and get the tyres back loaded. In response, COD issued instructions (January 2010) down the line to withhold further issue of above tyres to user units but did not get the defective tyres already issued back loaded. The stock held with COD was 312 tyres as of January 2010.

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[42] Director General of Ordnance Stores
[43] Integrated Headquarters of Ministry of Defence (Army), Master General of Ordnance Branch
[44] M/s Asian Polymers, Jalandhar
[45] Part No. LV6/MT 14 2610-000212 Tyre PNEU 11.00 x 20 Ply 16, ST NYLON (applicability TLR 50 Ton 12 WHLD Tank Transporter Ex BEML & EX MOL for both the front and rear wheel)
[46] Amount excludes a sum of ₹ 31,99,521/- withheld.
[47] Controllerate of Quality Assurance (Vehicles) Ahmednagar
[48] Directorate General of Electrical and Mechanical Engineering (Vehicles), MGO's Branch of Integrated Headquarters of Ministry of Defence (Army)

However, DGQA apprised Army HQ (February 2010) that the firm had agreed to replace the entire quantity of 3883 tyres[49] (both supply orders), with improved new tyres. CQA(V) again advised (April 2011) COD not to issue the above tyres to user units as the firm was to supply improved tyres. Further DGQA intimated (April 2012) COD and ADGOS[50] not to issue those defective tyres to units. COD intimated DGOS (December 2012) that in spite of repeated reminders the firm had not developed the tyres for inspection and requested to take up the matter with DGQA for issue of tyres held in stock to the user units to extract maximum residual mileage. Senior Quality Assurance Officer (SQAO) (Inspecting Officer)[51] was responsible for initial inspection of sample tyres in each lot. SQAO conducted inspection of tyres between September 2008 and June 2009 against supply order of February 2008 but failed to detect any defect in tyres. However in September 2010 defects were also reported by users in tyres supplied against supply order of February 2008 which further substantiate the fact that inferior material was used for manufacture of tyres. We enquired from CQA (V) (May 2013) as to how the Inspecting Officer could not detect the defects during tests while accepting the tyres. The CQA (V) replied (June 2013) that this might have taken place due to selection of good sample contained in a bad lot of tyres. The reply was not tenable and implied that only good sample in each and every lot of defective supply of tyres was selected. Thus the initial test carried out by Inspection Officer was neither foolproof nor complete which resulted in supply of defective tyres by the firm.

Army Headquarters instructed (February 2013) COD that pending clearance from DGQA, the above tyres should not be used. But, COD requested(August 2013) CQA(V) to confirm whether these tyres can be issued to non-field forces, not located in high altitude, hilly terrain with instructions to units not to raise defect report for these tyres in case of pre-mature failure. CQA (V) accepted the proposal of COD to utilise the defective tyres with additional limiting condition that user unit should avoid high speed driving to minimize chances of accident. However HQ South Western Command did not agree to the contention of COD as the above tyres are applied on Trailer 50 Ton Tank Transporter held with field-force units.

Thus lack of foolproof quality assurance at Senior Quality Assurance Officer level, failure on the part of CQA(V) to finalise defect report within three months and inaction on the part of Army HQ, despite knowing the defects in October 2008, to suspend procurement of tyres, facilitated the firm to continue to supply defective tyres for which ₹ 2.65 crore was paid to the firm. Further in spite of availability of the clause for charging compensation from the firm / replacement of defective tyres was not enforced and the decision of the Army

[49] S.O. of December 2006 (166 Nos.) plus S.O. of February 2008 (3717 Nos.)
[50] ADGOS: Additional Director General of Ordnance Services
[51] Senior Quality Assurance Officer, Senior Quality Assurance Establishment (Vehicle, DGQA Complex, New Delhi

to use defective tyres with restriction had resulted in compromising their own functioning and human safety.

The case was referred to Ministry in June 2014; their reply was awaited (October 2014).

3.5 Over provisioning and uneconomical issue of Batteries by COD Agra

Central Ordnance Depot, Agra over provisioned 14919 numbers of batteries costing ₹ 7.16 crore due to incorrect provisioning and subsequently issued 9,258 batteries to liquidate the huge stock which resulted in loss of ₹ 1.91 crore.

As per Director General Ordnance Stores (DGOS) Technical Instruction, Central Ordnance Depots (COD) are responsible for provisioning of Class 'B'[52] stores. COD Agra placed an order in March 2007 on M/s Bharat Electronics Limited (BEL) Pune for 29,485 Batteries 'A'[53] at a cost of ₹ 14.15 crore. These batteries are used on the Main Equipment Radio Stations and have minimum four years shelf life with a minimum cycle life of 400 cycles. To ensure that the batteries give specified/guaranteed number of cycle life, control samples are subjected to life cycle test.

We noticed in September 2011 that the provisioning was done on the basis of Annual Provision Reviews (APR) by COD for the year 2006-07. Dues out[54] in Provision Reviews of January 2006 included demand of 19,743 batteries by 2 Field Ordnance Depot (FOD) whereas its actual demand was for only 7,400 batteries, (3,784 batteries and 3,616 batteries placed in March 2005 & July 2005 respectively) on the COD Agra. This error led to over provisioning of 12,343 batteries 'A'[55] worth ₹ 5.92crore (12,343 X ₹ 4,800). The ordered quantity of 29,485 Batteries was received in the COD between May 2007 and February 2008.

We further noticed that, in the APR for the year 2008-09, quantity of batteries 'A' held in stock was shown as 3,990 numbers against 23,084 numbers actually held in stock by COD on April 2008. The error resulted in deficiency of 14,919 batteries 'A' in the APR which was proposed for procurement. COD Agra placed Supply Order on M/s Bharat Electronics Ltd in October 2009 for 14,919 Batteries 'A' costing ₹ 7.16 crore which were received in COD between February 2010 and July 2010. The item was not actually required to

[52] All spares and accessories for main equipment
[53] Battery Secondary Portable Nickel Cadmium (Sealed Cylindrical) 12 Volt 4 Ampere Hour Cat No. Z9/6140-Misc-7820-575-072-16 of item was superseded by DS Cat No. Z9/6140-005171 through Assignment list dated 24 July 2006.
[54] All dues out including these to other services, non-army users/payment customers as on the date of the stocks will be included in liability.
[55] 19,743 – 7400(Error in actual Demand) = 12343

be provisioned as the stock already held by COD was of 23,084 Batteries. Thus 14,919 Batteries 'A' costing ₹ 7.16 crore were over provisioned.

We pointed out the discrepancies about over provisioning of Batteries in November 2012. To exhaust stock holding, COD Agra issued 16,759 batteries 'A' between 11 January 2013 and 06 June 2013 out of which 9,537 batteries had out lived minimum shelf life of 4 years. We also found that out of 16,759 batteries, 9,258[56] batteries 'A' were issued against the demands for batteries 'B'[57] and batteries 'C'[58]. The procurement cost of battery 'B' and 'C' was ₹ 3,360 and ₹ 105 per battery respectively against the cost of Battery 'A' of ₹ 4,800. Thus issue of higher cost Batteries 'A' in lieu of low cost Batteries 'B' & 'C' was uneconomical which resulted in avoidable expenditure of ₹ 1.91 crore .

In response to Audit query (September 2011) on over provisioning, COD stated (April 2012) that anomaly had resulted owing to supersession of original part number of batteries and the fact that dues out prior to automation in 2008 could not be considered due to clerical error. The reply was however not factually correct as supersession of original part number was done in July 2006 and any anomaly in provisioning in 2008 could not be attributed to it.

On uneconomical issue of Batteries 'A' in lieu of Batteries 'B' and 'C', COD stated that Batteries 'A' were issued to ensure better utilisation of extended time before expiry of shelf life in storage and added that it was saving to the State from potential loss. Further it was stated that rechargeable battery lasts much more than the non rechargeable batteries. The justification given for issue in lieu was not however relevant against the audit contention of over provisioning of Batteries 'A'. It was only after being pointing out by Audit (November 2012), COD initiated a drive to exhaust the shelf life expired stock of batteries 'A' in January 2013. Further, the benefit of in-lieu issue of battery 'A' as purported by the COD in their reply is contradicted by the fact that 9,537 batteries 'A' issued during January 2013 to June 2013 had already outlived its minimum shelf life of four years.

Thus failure on the part of COD to verify the correctness of data related to dues out and stock holding led to over provisioning of 14,919 Batteries 'A' worth ₹ 7.16 crore which eventually resulted in loss of ₹ 1.91 crore due to issue of 9,258 Batteries 'A' against the demands of other low cost Batteries after expiry of minimum shelf life.

The case was referred to Ministry in June 2014; their reply was awaited (October 2014).

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[56] 7492 numbers for Battery B and 1766 numbers for Battery C
[57] Battery B: Non chargeable 12 V,15 AH -Cat Part No. Y3/6135-001362
[58] Battery C:3.6V,1.6 AH Cat Part No. Y3 6135-001363

3.6 Recoveries, savings and adjustment in accounts at the instance of Audit

Based on our observations, the audited entities had recovered overpaid pay and allowances, sundry charges and recovered electricity charges, cancelled irregular works sanctions and amended annual accounts, having a net effect of ₹ 68.01 crore.

During the course of audit, we observed several instances of irregular payments, under/non-recovery of charges, issue of irregular sanctions and accounting errors. Acting on the audit observations, the audited entities took corrective action, the net effect of which is summarised below:

Recoveries

The check of records of Defence Research and Development Organisation, Principal Controllers of Defence Accounts, Military Engineer Services (MES), Canteen Stores Department (CSD) HQ etc. revealed instances of irregular payment of pay and allowances, sundry charges, overpayment of electricity bills and rent and allied charges, etc amounting to ₹ 3.98 crore. On being pointed out, the entities concerned recovered the irregular payments.

Savings

Various sanctioning authorities such as the Principal Controller of Defence Accounts, Southern Command, Area/Sub-Area HQ of the Army, Station HQ, Corps HQ, etc cancelled irregular Administrative Approvals to works/ irregular leave encashment allowed. The net result of these actions was a saving of a total of ₹4.84 crore.

Amendment of annual accounts

When we pointed out instances of irregular accounting such as interest receipts not treating a Government Revenue, under provisioning for outstanding creditors, under provisioning of freight charges, un-accounting of liability towards Value Added Tax and State Sales Tax, reduction in set off amount etc., the CSD corrected the annual accounts. But for these corrections, profit would have been inflated and sundry debtors underreported. The net effect of these corrections was ₹ 59.19 crore.