

OVERVIEW

Working of Army Base Workshops

Eight Army Base Workshops provide repair and overhaul support to the Army for tanks, infantry combat vehicles, artillery guns, transport vehicles and other equipment. Performance audit of the base workshops disclosed significant underperformance with reference to the targets for overhaul. They missed the targets of overhaul by 40 to 68 *per cent* during 1999-2004. The inefficient performance left the Army with accumulation of large number of repairable tanks, combat vehicles and guns, which could affect their battle readiness. The facilities for overhaul of Bofors artillery gun at the annual capacity of mere 20 were woefully inadequate to cover the overhaul requirement of the guns.

The norms for estimating the capacity of the base workshops and the yardstick for overhaul of the tanks were slack and need to be tightened. Besides, the Army and the base workshops need to pay attention to advance planning and procurement/manufacture of the spares required for repair/overhaul.

(Paragraph 3.1)

Engineer Stores Depots

The two Engineer Stores Depots of Kankinara and Delhi Cantonment responsible for procurement, receipt and issue of engineer equipment, plant and stores of engineer origin, failed to meet the demands of the users timely and effectively, affecting the performance of the dependent units. Engineer Stores Depot Kankinara is largely underloaded while having the major share of manpower.

(Paragraph 4.1)

Poor management of Peace Keeping Mission accounts

Permanent Mission of India held an amount of USD 81.70 Million (Rs 393 crore) in Peace Keeping Mission accounts maintained at New York without proper investment. At the instance of audit, PMI negotiated with the bank and got additional credit of interest of USD 130590 (Rs 60.16 lakh) from January to September 2003 with future recurring benefits. The benefit of earning interest of an estimated USD 0.2 Million (Rs 96 lakh) per annum however had been lost in the past.

(Paragraph 2.1)

Infructuous expenditure of Rs 2.63 crore on invalidation of recruits

Between 1999 and 2004, 1608 recruits declared medically fit at the time of their enrolment by Recruiting Medical Officers were subsequently declared medically unfit

during second medical examination. Out of these, 1083 recruits were invalidated on grounds of diseases which existed even before enrolment but could not be detected by RMO. Apart from creating doubt about the quality of medical examination, this resulted in infructuous expenditure of Rs 2.63 crore on pay, allowances and ration of these recruits till their invalidation.

(Paragraph 3.3)

Delayed purchase and insignificant utilisation of equipment procured under Fast Track Procedure

Demining equipment valuing Rs 103.91 crore were procured from a foreign firm under “Fast Track Procedure” in view of operational urgency. The equipment were received eight to sixteen months after the requirement. Army had, meanwhile, to resort to manual demining which involved risk to human life.

(Paragraph 2.2)

Non-encashment of performance bonds despite supply of defective equipment

Even as equipment worth Rs 13.22 crore were lying idle due to defective supplies against two foreign purchase contracts, department failed to encash performance bonds worth Rs 66 lakh.

(Paragraph 2.3)

Failure to recover advance of Rs 12.93 crore from a foreign firm

While importing modification kits for air defence system, Defence Research and Development Laboratory (DRDL) accepted a bank guarantee for advance payment of Rs 12.93 crore as per vendor's format. When the vendor did not supply the equipment due to arms embargo, DRDL failed to encash the bank guarantee and recover the amount as the format favoured the foreign vendor.

(Paragraph 6.1)

Non-utilisation of Radio Receiver sets

Radio receiver sets valued at Rs 7.79 crore urgently required for national security remained unutilized from May 2002 onwards due to rejection of antenna mast, which was an accessory and could have been replaced by purchasing at risk and cost of the defaulting firm.

(Paragraph 2.4)

Non-removal of encroachment and non-levy of damages

Due to inaction of Defence Estates Officer, Allahabad and Cantonment Executive Officer, Varanasi three acres of Defence land valued at Rs 3.72 crore had been encroached upon in 1996 and was being exploited for commercial purposes. The damages to the extent of Rs 97.53 lakh were neither levied nor collected till date.

(Paragraph 3.4)

Procurement of defective Transmission Reception units

Due to inadequate inspection by SQAE (A) Chennai, department accepted equipment worth Rs 3.85 crore which were subsequently found defective. Ignoring the previous defective supplies the department placed fresh orders on the same supplier for the same item leading to further procurement of defective equipment worth Rs 91.42 lakh. Department failed to get the defective equipment replaced by the supplier.

(Paragraph 3.6)

Infructuous expenditure of Rs 2.77 crore on procurement of Ammunition shells

Department of Defence Production and Supplies did not cancel a contract despite failure of the firm to supply the item for over eight years. The long delay resulted in the item being no longer required leading to wasteful expenditure of Rs 2.77 crore and undue benefit to the firm.

(Paragraph 5.3)

Loss of Rs 1.44 crore due to over provisioning of specialized Oil-OX-320

Failure of Western Command Headquarters to assess the actual requirement of Oil-OX-320 resulted in over-provisioning. The oil had a limited shelf life and provisions worth Rs 1.44 crore would be rendered unfit for consumption, resulting in loss.

(Paragraph 3.7)

Extra expenditure due to delay in implementing 'Fast Track Procedure'

Failure of Military Engineer Services to accept the tenders for married accommodation projects within the time stipulated under the Fast Track Procedure led to re-tendering and resultant extra expenditure of Rs 1.44 crore on acceptance of the contracts at higher rates. The main objective of sanctioning the work under Fast Track Procedure was thus defeated.

(Paragraph 4.2)

Non-recovery of Rs 1.17 crore from a firm on failure to complete the supply

Ignoring the guidelines issued by Ministry in 1987, Department of Defence Production and Supplies paid advance to a firm for supply of an equipment. The firm was facing financial problems and was later declared sick. This led to non-recovery of Rs 1.17 crore on advance and interest even after a period of more than eight years.

(Paragraph 5.1)

Avoidable payment of container detention charges

Failure of Directorates of Service Headquarters/consignees to send shipping documents to Embarkation Headquarters in time coupled with the delay by Embarkation Headquarters in fulfilling port formalities resulted in avoidable payment of container detention charges of Rs 1.04 crore.

(Paragraph 3.8)

Payment of Rs 1.01 crore to a firm before rectification of defective supplies

While final trial on a cable developed by a firm was yet to be conducted, the Chief Quality Assurance Establishment (Weapon Stores) issued a clear inspection note for the cable in April 2000. Based on this Controller of Defence Accounts released 95 *per cent* payment to the firm. Subsequent trials were not successful and the cable has not yet been rectified. The aim of indigenising the cable remains unfulfilled.

(Paragraph 5.2)

Avoidable extra expenditure due to injudicious planning

Army Headquarters approved the road improvement work in SSG road to National Highways Double Lane (NHDL) specification in October 1999. Meanwhile, Director General Border Roads executed an intermediate berm strengthening work on three portions of the same stretch leading to duplication of work and an avoidable extra expenditure of Rs 72.83 lakh.

(Paragraph 7.1)

Overpayment to contractors

In disregard of rules, Garrison Engineer Mathura allowed execution of works for 33 deviations on two contracts involving additions/omissions, without the prior approval of the Chief Engineer, leading to overpayment of Rs 52.91 lakh approximately to the contractors during the period between March 1997 and May 2000. The amount is yet to be recovered.

(Paragraph 4.4)

ORDNANCE FACTORY ORGANISATION

Performance of Ordnance Factory Organisation

The Ordnance Factory Organisation comprising of 39 Ordnance Factories with a manpower of 1.22 lakh is engaged in production of arms, ammunition, equipment, clothing etc. primarily for the Armed Forces of the country. The value of production aggregated to Rs 8253.05 crore in 2003-04 which was 4.35 *per cent* higher than the value of production of Rs 7908.69 crore in 2002-03.

The total expenditure of Ordnance Factory Organisation increased steadily from Rs 4994.88 crore to Rs 6651.56 crore during 1999-2000 to 2003-04.

During 2003-04, production of 98 items (out of 462 items for which demands existed and targets were fixed) was behind schedule.

In respect of 23 major items, the production spilled over beyond the financial year 2003-04, the total value of which amounted to Rs.412.87 crore approximately. This had affected the accuracy, reliability and completeness of Annual Accounts of Ordnance Factory Organisation for the year 2003-04.

(Paragraph 8.1)

Performance of Ordnance Equipment Group of Factories

Review of performance of ordnance equipment group of factories, which are entrusted with manufacturing of clothing items of combat uniforms, parachutes, tents, blankets etc. for defence services disclosed significant underperformance. The ordnance factories could not meet the targets of production and overstated the figures of production and issues in their report and accounts. They carried forward large spill-over productions from the previous years during each of the financial years covered under the review. The material and labour cost of the same items produced by two or more factories varied in an unacceptable range. The ordnance factories paid enormous amount of overtime, while the available standard man hours remained unutilized. The factories failed to realize good value for money from equipment/machines due to setting up excess capacity, sub-optimal utilization and failure to commission the machines.

(Paragraph 8.2)

Extra expenditure due to rejection of 5.56 mm rifles

Rifle Factory Ishapore incurred extra expenditure of Rs 3.05 crore in manufacture of 2800 service rifles which were issued as Drill Purpose due to rejection in proof. The factory also accumulated 866 rejected rifles valuing Rs 1.50 crore that were awaiting conversion for use in training establishment.

(Paragraph 8.3)

Extra expenditure in procurement of item from sister factory

Ordnance Factory, Dehu Road obtained tail units from a sister factory at un-economic costs in disregard of OFB instructions. This led to an additional burden of Rs 3.04 crore on the defence exchequer.

(Paragraph 8.4)

Loss due to use of defective castings

Gun and Shell Factory Cossipore suffered a loss of Rs 67.13 lakh due to use of defective die-castings received from Ordnance Factory Ambajhari duly cleared in inspection.

(Paragraph 8.5)

Loss due to defective manufacture of cartridge cases

Defective manufacture of empty cartridge cases at Ordnance Factory Varangaon and Metal and Steel Factory Ishapore resulted in rejection of cartridge cases worth Rs 6.44 crore. The defective manufacture has not been regularised as of November 2004.

(Paragraph 8.6)

Loss due to rejection of ammunition

Defective manufacture of Armour Piercing Tracer ammunition at Ordnance Factory Khamaria had resulted in rejection of ammunition worth Rs 17.12 crore.

(Paragraph 8.7)

Repair due to defective and inept handling of stores

Heavy Vehicles Factory failed to properly store the hydraulic control system of T-72 tanks procured from HMT. This, coupled with their inability to utilise the items within the warranty period resulted in avoidable expenditure of Rs 56.24 lakh towards repair during the years 2001 to 2002.

(Paragraph 8.8)

Improper assessment of requirement of armour plates

Heavy Vehicles Factory Avadi failed to assess the requirement of armour plates required for hulls of T-72 tanks properly resulting in avoidable accumulation of inventory and non-utilisation of items worth Rs 82.08 lakh since their procurement in 1997-98.

(Paragraph 8.9)