

**PRESS RELEASE**

**OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA**

**New Delhi**

**18th December, 2025**

**CAG AUDIT REPORT ON DEFENCE SERVICES-ARMY PRESENTED IN  
PARLIAMENT**

C&AG's Report No. 28 of 2025, Union Government (Defence Services – Army) for the year ended March 2023 was laid on the table of Lok Sabha and Rajya Sabha here today. This Report of the Comptroller and Auditor General of India contains the results of audit of the transactions of Ministry of Defence pertaining to Department of Defence, Army, Military Engineer Services, Border Roads Organisation, and Defence Research and Development Organisation.

Some of the significant audit findings of the Report are given below:

**1. Selection of NCC cadets and students of Sainik Schools as officer in the Indian Army**

The intake of National Cadet Corps (NCC) cadets and students of Sainik Schools in the Armed Forces was below the envisaged targets despite sufficient number of candidates appearing in the selection process. The performance gap was higher in North-Eastern Region of NCC and East Zone of Sainik Schools and required significant improvement. The combined expenditure on NCC and Sainik Schools was ₹10,043.66 crore over a five year period.

It was observed that State Governments had not allotted adequate funds against projections leading to cancellation of 43.32 *per cent* camps by NCC Directorate of West Bengal & Sikkim and payment of honorarium/allowances to ANOs and cadets remaining outstanding in West Bengal & Sikkim and Uttar Pradesh. In Sainik Schools also there was a lack of regular flow of required funds from State Governments for maintaining infrastructure, meeting pension liability and other terminal benefits to retiring employees. Despite the recommendation of the Board of Governors (BoG), States/ Union Territories (UTs) were not following uniform scales of scholarship and scholarship was not being granted by the parent States to students studying in other States.

The development of Training Areas for NCC cadets had not been taken up in 21 States/UTs resulting in limited availability of firing ranges and reduced firing activities. In 11 Sainik Schools, students accommodation was either inadequate or in deteriorated condition and in 14 Sainik Schools, there was shortage of staff accommodation whereas in seven schools, staff accommodation provided was in dilapidated condition.

Audit has recommended that Ministry may review the areas of improvements highlighted by audit in budgetary and finance matters, training activities, infrastructure and other training resources including human resources and introduce corrective measures which can contribute to better performance of cadets/students

## **2. Procurements by Indian Army under Fast Track Procedure with additional waivers**

To meet the emergent situations of the Indian Army, Defence Acquisition Council (DAC) approved (July 2020) emergency procurements for a specific duration of time with additional waivers to the provisions of the Fast Track Procedure (FTP) for capital acquisitions, as provided in the Defence Procurement/Acquisition Procedure (DPP/DAP) by giving enhanced powers to Service Headquarters.

While the primary focus of the special waivers was to ensure speedy procurement, in 72 *per cent* of contracts examined in audit, items were not delivered within the stipulated timeline. Audit observed instances of deviation from the stipulations of the DAC and provisions of DPP/DAP over and above the waivers granted, and has recommended that the deviations should be got regularised by Army Headquarters.

## **3. Execution of bridge works by Border Roads Organisation**

Two cases have been cited where bridge works were stalled after partial completion primarily due to inadequate assessment of the topography, rock profile and attendant design in one case and absence of subsurface investigations at design stage in the other. Consequently, works remained incomplete for over a decade after spending ₹10.51 crore.

## **4. Indigenisation of spare items by Directorate of Indigenisation**

Directorate of Indigenisation (DoI) was set up in January 2010 for carrying out indigenisation of spares. The expenditure on the DoI over a five year period was ₹24.32 crore. There were delays observed at various stages of the indigenisation process and 30 *per cent* of the supply orders placed for indigenised development were foreclosed. The primary reasons were lack of response from the vendors, their inability to develop the items and unavailability of specified material. The foreclosing of SOs for the above mentioned reasons highlights the necessity for DoI to have greater interaction and provide sufficient information on the requirements of indigenisation to the participating vendors right from the stage of selection of items in FDL. Further, due to shortage of personnel in DoI and other supporting organisations, there were shortfalls in capacity verification of vendors and delays in evaluation of pilot samples. For the components that had been successfully indigenised, only 43 *per cent* were updated in the inventory database and the Service procuring agencies were not even aware that the remaining (57 *per cent*) items had been indigenised. There were also instances of depots procuring spares and stores from alternate vendors, other than the ones that had indigenised the items.

Audit has recommended that, in view of expansion of vendor base for defence related items and the limited success of Directorate of Indigenisation (DoI), Ministry may review and strengthen its functioning for its continued relevance in indigenisation of spares.

## **5. Revision of Standard Schedule of Rates (SSR)**

The Subject Specific Compliance Audit revealed significant issues in the revision process of the Standard Schedule of Rates (SSR) which is used for cost estimation in construction projects. The SSR consists of two parts: Part-I (Specifications) and Part-II (Rates). While Part-I defines the technical specifications, Part-II provides updated rates for materials, labour and taxes, including the Goods and Services Tax (GST). However, the audit found that MES did not have a formal policy/Standard Operating Procedure (SOP) to revise SSR, resulting in irregular updates. Since 2004, SSR Part-I was revised only once (2009), while Part-II was revised three times, with the last

update in 2020. These revisions were inconsistent and did not account for the current market conditions, leading to inaccurate cost estimates. The revision process also lacked uniformity in how market rates were analysed, and personnel deployment was inconsistent across units. Additionally, the 2020 revision did not substantially expand the SSR item coverage, and revised rates were unrealistic for small contracts. The audit recommended creating a formal SOP, improving uniformity, expanding SSR coverage, and implementing a monitoring system to ensure more accurate cost estimates and contract acceptance.

#### **6. Abandonment of buildings constructed costing ₹166.16 crore due to substandard construction and delay in fixing of responsibility**

Failure to exercise requisite quality assurance by the Project Manager and the Contractor during execution of contract for construction of Married Accommodation has resulted in sub-standard construction of the accommodation at Lalgah Jattan Military Station, costing ₹166.16 crore. Consequently, the accommodation remains unoccupied.

#### **7. Excess payment of ₹113.24 crore towards water and sanitary charges**

Non-adoption of the revised tariff rates applicable for bulk consumers by five Garrison Engineers (GEs) at Bengaluru resulted in excess payment of water and sanitary charges amounting to ₹113.24 crore for the period April 2016 to February 2024. Till the adoption of new tariff rates, these five GEs would continue to bear the recurring excess amount of approximately ₹14.16 crore annually.

#### **8. Pricing in Deemed Contracts post–corporatisation of Ordnance Factories**

Despite Ministry's instruction that there would be no change in the pricing policy of the pending indents, there were instances where the rates incorporated in the deemed contracts for certain items were more than the maximum permissible rate based on the prescribed annual eight *per cent* escalation from the date of indent. Audit has recommended that this pricing issue be reviewed and rationalised through mutual consultation.