

## OVERVIEW

### **Defective Import of SMERCH Multi Barrel Rocket Launcher System**

The SMERCH Multi Barrel Rocket Launcher System procured from a foreign firm at a cost of Rs 2633 crore could not be fully operationalised for one to three years due to defects in various sub systems, delay in buying the logistics equipments and non-formulation of War Establishment of the concerned units.

*(Paragraph 2.1)*

### **Procurement of low capability missiles**

The Ministry procured outdated missiles of 1970s vintage valuing Rs 587.02 crore in 2008 from BDL by compromising the Army's requirement. The Missiles were not only unable to achieve desired range but also did not meet the Army's objective of acquiring third generation missiles.

*(Paragraph 2.2)*

### **Non replacement/rectification of imported ammunition**

The ammunition 'A' was designed to be fired from T-72 tanks. Indigenous as well as imported version of the ammunition 'A' valuing Rs 273.75 crore reported defective could not be got repaired for over five to eight years. Although the imported ammunition was still under warranty yet the Army HQ did not make efforts to get them rectified or replaced by the supplier.

*(Paragraph 2.3)*

### **Excess procurement of batteries and battery chargers**

Ministry made excess procurement of batteries and battery chargers costing Rs 5.30 crore due to incorrect assessment of requirement by Army. Timely intervention by Audit not only led to a saving of Rs 5.30 crore but also checked the recurrence of such excess procurement.

*(Paragraph 2.4)*

### **Procurement of defective Oxygen Masks**

Despite being aware that the oxygen masks offered by foreign vendor had defects, the Ministry contracted for supply of the oxygen masks to Army. This resulted in receipt of defective masks which have been returned by Army aviation units due to difficulties faced by the Pilots in inhaling oxygen. The intended benefit of the expenditure of Rs 5.06 crore on its procurement was therefore not achieved even after more than two years of receipt of the masks.

*(Paragraph 2.5)*

### **Overpayment of maintenance charges for Unmanned Aerial Vehicles**

Inadequate management of inventory of the Unmanned Aerial Vehicles (UAV) by Army HQ resulted in conclusion of maintenance contract for non-existent UAVs. A payment of Rs 98.59 lakh was made to the contractor for services not rendered. When detected by Audit, Army HQ took up the matter with the contractor and the latter promptly agreed to refund the amount. The recovery of the overpaid amount was however awaited as of November 2009.

*(Paragraph 2.6)*

### **Non-inclusion of Pre-Despatch Inspection**

Pre-despatch inspection (PDI) of spares contracted for more than Rs 3 crore was made mandatory by the Army HQ, to ensure receipt of correct spares of prescribed quality. Army HQ concluded a contract with a firm in May 2007 without incorporating the PDI clause in the contract violating its own instructions. This had resulted in receipt of non-compatible spares valuing Rs 4.99 crore which were neither repaired nor replaced by vendor as of November 2009.

*(Paragraph 3.1)*

### **Overprovision of ammunition for a weapon**

Ammunition being a scaled item, its authorisation depends on the Unit Entitlement (UE) of the weapon. The Director General Ordnance Services (DGOS) however carried out provisioning of AK-47 rifles against its UE of 44327 whereas for provisioning of ammunition for those rifles the UE was reckoned as 124012. The anomaly resulted in excess provisioning of 234.23 lakh rounds of ammunition valuing Rs 44.50 crore.

*(Paragraph 3.4)*

### **Irregular procurement of short life drug**

Simultaneous procurement of a short shelf life drug through central and local purchase resulted in its overstocking. Consequently, 2121 vials costing Rs 2.13 crore remained unconsumed during shelf life. Local purchase of the drug valuing Rs 1.08 crore was made by a Commandant AFMSD by violating the spirit of delegated financial powers.

*(Paragraph 3.3)*

### **Chronic delay in procurement of Boats**

In spite of emergent requirement of Boats for Engineer Regiments, its procurement could be functional only after six years mainly due to projecting the case to wrong CFA and repeated rejection of tender bids. The inordinate delay not only denied the equipment to the Army for its operational preparedness but also exhibited the insensitiveness in the functioning of the agencies involved.

*(Paragraph 3.5)*

### **Irregular procurement of Punched Tape Concertina Coil**

Punched Tape Concertina Coil -1A is a general item having industrial specification and it is available on DGS&D rate/running contract (RC). Director General Ordnance Services and Chief Engineer of a Corps however resorted to local purchase of these coils at higher rates when the item was available on RC at lower rates. This resulted in avoidable extra expenditure of Rs 2.35 crore.

*(Paragraph 3.2)*

### **Irregularities in procurement of slit lamps**

Conflicting verdicts of evaluation of Slit Lamp by different Technical Evaluation Committees of DGAFMS resulted in rejection of low priced indigenously made equipment. The equipment had been procured earlier by the DGAFMS after having been found technically acceptable. The irregularity resulted in extra expenditure of Rs 1.65 crore.

*(Paragraph 3.7)*

### **Irregular construction of accommodation for a Golf Club**

Unauthorised building for Kharga Golf Club at Ambala Cantonment was got constructed under the guise of special repairs to the existing buildings.

*(Paragraph 4.1)*

### **Avoidable extra liability due to delay in revision of administrative sanction**

Delay and lack of diligence both in Engineering wing in the QMG branch at Army Headquarters and Ministry of Defence in revision of administrative approval resulted in avoidable extra liability of Rs 2.95 crore due to cost escalation.

*(Paragraph 4.2)*

### **Additional expenditure on execution of a work due to indecision of the users**

The new Commandant of Combat Army Aviation Training School, Nasik stopped the construction work of a project arbitrarily and suggested several changes involving additional special nature of works. This had resulted in delay of two years in conclusion of fresh contract and cost overrun of the project by Rs 1.23 crore.

*(Paragraph 4.3)*

### **Hasty procurement of segregators**

Director General Border Roads procured six segregators for Rs 4.55 crore without conducting economic feasibility study, ensuring availability of natural aggregates and without obtaining clearance from Forest Department. Thus, these could not be gainfully utilised.

*(Paragraph 5.1)*

### **Misappropriation of Government stores**

Non-verification of credentials including financial status, business ethics, market standing of contractor before awarding contract and the absence of co-ordination between different Project CEs of BRO, resulted in misappropriation of bitumen worth Rs 1.67 crore intended for transportation to BRO units under two separate contracts.

*(Paragraph 5.2)*

### **Additional cost due to delay in opening of commercial bids**

Against the stipulated period of two weeks, Director General Border Roads took eight weeks for opening of commercial bid after technical evaluation in procurement of 56 Concrete Mixers and 15 Tandem Vibratory Road Rollers (TVRR). In the intervening period, quantity 44 and 25 respectively of those equipments were procured by placing repeat order at higher rates, which resulted in extra cost of Rs 97.63 lakh.

*(Paragraph 5.3)*

### **Injudicious creation of assets**

Defence Research and Development Organisation (DRDO) incurred an expenditure of Rs 8.92 crore for creation of assets to draw power from a power corporation without assessing the corporation's ability to supply stable and uninterrupted power for operation of highly sensitive equipment and machines. After commissioning of power supply in November 2001 the imported equipment procured under the programme did not function properly due to variation in voltage with frequent interruption in power supply. As a

result, DRDO procured DG Sets at a cost of Rs 3.57 crore for operation of equipments. Thus, the expenditure of Rs 8.92 crore incurred on establishing a sub station to support 66 KV line was rendered infructuous besides burdening itself with a recurring liability of maintaining the redundant assets.

(Paragraph 6.1)

### **Loss due to damage to imported equipment**

DRDO suffered a loss of Rs 6.91 crore on account of damage to the imported equipment due to mishandling by the consolidation agent. The amount of loss could not be recovered from the consolidation agent for over two years.

(Paragraph 6.2)

### **Injudicious sanction of Ordnance Factory Korwa Project**

The project for establishment of a new ordnance factory at Korwa, Amethi at an estimated investment of Rs 408.01 crore by October 2010 to meet an operationally urgent need for acquisition of new generation carbines was sanctioned without finalization of new generation carbines to be produced in the factory. This coupled with selection of inappropriate site and inadequate monitoring resulted in slow progress of the project. The project is likely to be delayed very badly, thereby delaying the supply of urgently required carbines to the Army.

(Paragraph 7.2)

### **Extra expenditure in procurement of Oleum**

The failure of HEF to invoke risk purchase clause coupled with OFB's failure to allot funds in time to make contractual payments for supplies received foreclosed the possibility of obtaining Oleum at an economical cost. It also resulted in an extra expenditure of Rs 2.80 crore incurred in the purchase of Oleum to make good the shortage in supply.

(Paragraph 7.3)

### **Undue benefit to a firm in procurement of Oleum**

Ordnance Factory Itarsi accorded undue benefit to a firm by acceding to their request for acceptance of price variation clause, payment of excise duty components and increased freight charges, after opening of the tender/ placement of order and put an additional burden of Rs 1.07 crore on Defence exchequer.

(Paragraph 7.4)

### **Non-utilisation of propellant**

Ordnance Factory Badmal accepted two propellants in mismatched quantities from the foreign firm resulting in non-utilisation of one propellant valuing Rs 40.55 lakh. The prospect of its utilization is uncertain as two propellants need to be satisfactorily cleared in confirmatory test as to the ballistic parameters.

*(Paragraph 7.5)*

### **Extra expenditure due to delay in finalization of offer**

Abnormal delay in finalization of commercial offer received from the foreign collaborator by Heavy Vehicles Factory Avadi and Armoured Vehicles Group of Factories Headquarter Avadi resulted in lapse of commercial offer leading to fresh receipt of offer and procurement of items at an extra expenditure of Rs 2.85 crore

*(Paragraph 7.6)*

### **Loss due to non-availing of power and load factor incentives**

Non-maintenance of power factor of unity and load factor beyond 75 per cent of the contracted demand of electricity by two ordnance factories foreclosed the possibility of obtaining incentives and rebates worth Rs 13.33 crore. Further, one ordnance factory failed to obtain power factor incentives of Rs 0.71 crore on achieving power factor of 0.96 and 0.98

*(Paragraph 7.9)*

### **Suspected fraud in reimbursement of Customs duty to suppliers**

Two private firms got reimbursement of customs duty of Rs 1.19 crore from Ordnance Equipment Factory Kanpur by producing forged documents. Cross checking by Audit with Customs disclosed that one supplier had produced Customs Duty Exemption Certificate and did not pay Customs duty for the import and another firm undervalued the cost of import machines to pay lower rate of duty to the Customs and managed to obtain reimbursement at higher rate from the factory

*(Paragraph 7.10)*