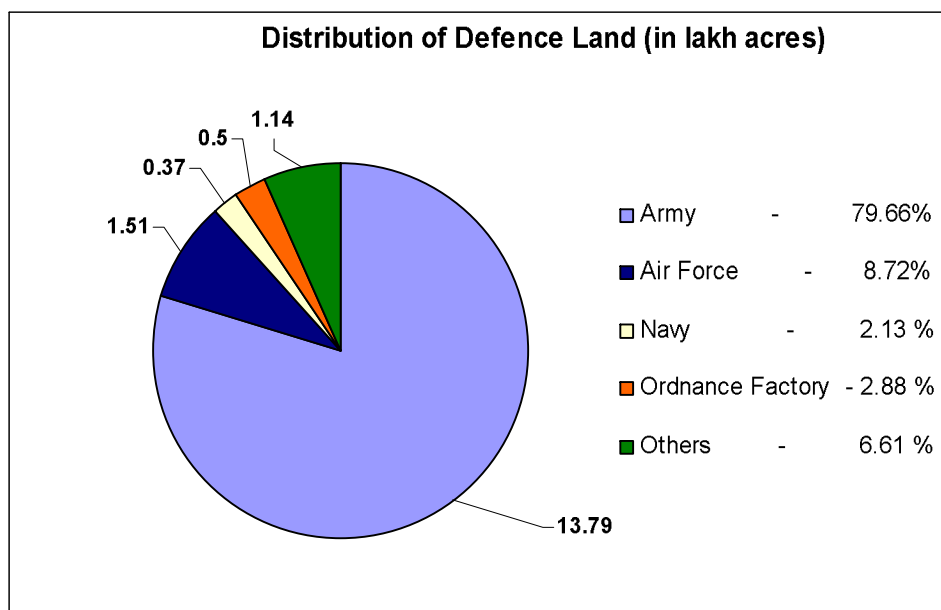


Chapter I : Introduction

1.1 Background

The Ministry of Defence (Ministry) is the biggest landholder in the Government with a holding of 17.31 lakh acres of land. The lands are of different need based classification and are occupied by the Army, Air Force, Navy, Central and State Government organizations, civilian population etc. Out of the total land, approximately two lakh acres are inside 62 Cantonments located in various parts of the country. Lands for common use inside a Cantonment are under the control of Cantonment Boards. Outside these Cantonments, 15.3 lakh acres of Defence land are occupied by Military Stations, Air Force Stations, Naval Bases, DRDO labs, firing ranges, camping grounds etc. Among the three Services, Army occupies 13.79 lakh acres which is almost 80 *per cent* of the land.



1.2 Classification of Defence land

The following is the classification of Defence land inside a Cantonment:

Classification	Land description	Managed by
A1	In active occupation of the Forces and allied services.	Local Military Authorities of the Service concerned.
A2	Vacant land which must not be built upon due to specific military reasons.	Defence Estates Officer.
B1	Land owned by the Ministry but in occupation of any other Ministry of the Central Government.	The Ministry concerned in occupation of land.

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Classification	Land description	Managed by
B2	Land owned by the Ministry but under the control of the State Government.	State Government concerned in occupation of land.
B3	Land held by private persons under Old Grant terms, leases etc. under which the Central Government reserved or have reserved to themselves the proprietary rights in the land.	Defence Estates Officer.
B4	Land which does not fall under any other class mentioned above.	Defence Estates Officer.
C	Land vested in a Cantonment Board for Municipal or other public purposes.	Cantonment Board

Defence land outside Cantonment areas does not bear any classification.

At the time when most of these Cantonments and military stations were planned, these were normally at the outskirts of the town, sometimes far away from the city. With growing urbanization and consequent pressure on the land, in most of the cities at present, these areas have become part of the city. In many of the cities like Delhi, Mumbai, Pune, Kolkata, Ambala, the Cantonment and station areas are almost at the heart of the city now. Much of the Defence land both inside and outside Cantonments is now prime real estate.

1.3 Organizational structure

The Ministry of Defence is the titular holder of all Defence lands in the custody of the Services and others. The authority responsible for control, custody and management of lands is either the Ministry or in case of A1 land, the Services concerned who hold the land. In the Ministry the responsibility for management of land at the apex level rests with Directorate General of Defence Estates (DGDE), which is an inter-service organization under the Ministry. DGDE has its offices in various parts of the country. These are headed by six Principal Directors/Directors Defence Estates (PDDEs/DDEs) at six Army Commands¹. Under the PDDEs, 40 Defence Estates Officers (DEOs)/Assistant Defence Estates Officers (ADEOs) at circle level (*Annexure-I*), spread throughout the country are responsible for maintaining land records and managing such land including mutation of all the land, both inside and outside the Cantonment. For records of all lands of various classifications inside the Cantonment, they are responsible to maintain General Land Register (GLR) and for the land outside Cantonment, the Military Land Register (MLR).

In addition to the primary functions of the Defence Estates Organisation of managing Defence land, the other functions include:

¹ Northern Command (NC) with HQ at Udhampur, Central Command (CC) with HQ at Lucknow, Western Command (WC) with HQ at Chandimandir, Eastern Command (EC) with HQ at Patna, Southern Command (SC) with HQ at Pune and South-Western Command (SWC) with HQ at Jaipur.

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- Advising the Ministry of Defence regarding management of land, Cantonment administration, acquisition, hiring of lands and building and disposal of immovable properties;
- Advising Army Commanders/equivalent officers of Air Force/Navy regarding management of lands, Cantonment administration, acquisition, hiring of lands and buildings and disposal of immovable properties;
- Payment of service charges to Cantonment Boards;
- Eviction of encroachers from Defence land by invoking Public Premises (Eviction of Unauthorized Occupants) Act, 1971 and
- Management of land used for commercial purposes and buildings including shopping complexes created on Defence land from non-public fund or by re-appropriation of Government buildings.

1.4 Audit objectives

The Performance Audit of Defence Estates Management was done with a view to examining whether:

- Projection of requirement of Defence land was accurate as per norms and was based on reliable data and utilization of land was prudent and effective;
- Land not required for immediate use was put temporarily to some other constructive use including giving it on lease and leased properties had been managed efficiently and effectively;
- Old Grant Bungalows were managed in accordance with existing orders;
- Management of hiring/ acquisition/ requisition of land was done judiciously and within the ambit of extant provisions;
- The resources available with the DGDE and its subordinate offices to manage such a vast expanse of Defence land were adequate and managed efficiently, and monitoring mechanisms aided the higher management in smooth and effective management of Defence land; and
- Adequate steps were taken to prevent encroachments and eviction of encroached land.

1.5 Scope of audit

The Performance Audit was conducted in the Ministry of Defence, office of the DGDE, all six PDDEs / DDEs at Command level and 20 selected DEOs² at circle level. The audit covered a period of five years from 2004-05 to 2008-09. In addition, all the three Service HQ, all six Command HQ of Army, 28 Station HQ of Army (*Annexure-II*), two Air Commands (HQ Western Command Delhi and HQ Training Command Bangalore), four Air Force Stations (Hindon, Palam, Yelahanka and Hyderabad) and two Naval Commands (Mumbai and Kochi) were covered in audit.

² NC –Udhampur, CC – Meerut, Agra, Bareilly, Lucknow & Jabalpur, WC – Ambala, Jalandhar, Delhi Cantt, Jammu and Pathankot, EC – Jorhat and Kolkata, SC – Pune, Chennai, Secunderabad, Bangalore & Bhopal, SWC –Bikaner & Jaipur.

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The Performance Audit covered A1, A2, B3 and B4 lands inside the Cantonment and all land outside Cantonment related to three Services in 20 circles. The audit coverage included expired leases, irregular use of Old Grant Bungalows (OGBs) and unauthorized use of Defence land.

1.6 Audit criteria

The criteria for evaluating the performance were derived from the following:

- Land Acquisition Act, 1894 and Requisitioning & Acquisition of Immovable Properties (RAIP) Act, 1952;
- Cantonment Laws;
- Military Lands Manual;
- Acquisition, Custody and Relinquishment Rule 1944;
- Quartering Regulations; and
- Instructions of the Ministry and DGDE issued from time to time.

1.7 Audit methodology

Audit methodology mainly consisted of data analysis, cross verification of data, comparison with prescribed norms, rules and regulations and instructions. It included aspects starting from procedure for assessment of land requirements, actual holdings, the status of ownership of Defence land including mutation in favour of the Ministry, as reflected in Defence records. Apart from acquisition in a specific timeframe, its utilization and disposal of surplus vacant land to ensure its optimum use, prevention and removal of encroachments were also studied.

The management of leases, their timely renewal / termination as well as revision and recovery of rent and premium from the leases were analyzed with reference to prescribed instructions. Similarly management of OGBs was also examined with reference to provisions of the Cantonments Act. The use of Defence land for commercial complexes such as shopping complexes, etc. including assessment, realization and credit of revenue to the appropriate head of account with reference to the extant rules was examined. In addition, the system of internal control and status of staff strength were also looked into.

The Performance Audit was taken up in June 2009 and was concluded in September 2010. The replies received from audited units/formations were suitably incorporated in the Performance Audit Report.

A request for entry conference was made to the Secretary, Ministry of Defence in July 2009. No reply was received. The Performance Audit was commenced based on the instructions issued by the office of the DGDE and the Army HQ to their units/formations in June 2009. The request for the exit conference was made to the Defence Secretary in October 2010 and the same took place on 4 March 2011. The Draft Performance Audit Report was issued to the Secretary, Ministry of Defence in October 2010; Ministry's reply was awaited as of February 2011.

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On part of the report, replies were received from the DGDE on 3 March 2011. These have been reflected in this report where appropriate.

1.8 Standard Table of Rents (STRs)

The market value of land in the Cantonments is assessed by a committee consisting of the DEO and a representative of the Station Commander, Collector and the adjoining Municipal Corporation / Municipality. The Committee determines the market value taking into consideration sale statistics of land / buildings and valuations. The Standard Table of Rents is required to be revised every year in respect of 19 fast developing Cantonments and every three year at other stations. However, as of March 2009 there was a delay of 12 months to 65 months in annual revision of STRs at five stations under four DEOs and triennial revision at 14 stations under six DEOs, thus adversely affecting the lease rent recoverable from various lessees at different rates.

1.9 Previous Audit Reports

Time and again, in many previous audit reports of the Comptroller and Auditor General of India, misuse of Defence land had been reported upon. Despite such reports, little improvement has taken place as the subsequent chapters in this report would indicate.

A summary of important audit findings is given below:

Report No. 5 of 2006 (Air Force and Navy) for the year ended March 2005

Paragraph 3.2: Unauthorized construction of Officers' Institute

In New Delhi, prime land valued at ₹ 74.24 lakh was utilized to construct a transit accommodation unauthorizedly under the nomenclature of 'Officers' Institute' by HQ Western Air Command, involving irregular expenditure of ₹ 33.18 lakh.

Report No. 4 of 2007 (Army and Ordnance Factories) for the year ended March 2006

Paragraph 2.1: Delay in execution/ renewal of lease

Inexplicable delays ranging from 6 to 36 years in renewal of lease of Defence land resulted in non recovery of rent and premium of crores of Rupees and loss of interest thereon.

Paragraph 3.3: Unauthorized use of Defence assets and public fund for running educational institutes

In violation of the regulations and in disregard of the Ministry's instructions issued time and again, Army authorities opened an educational institute at Pathankot under the aegis of Army Welfare Education Society (AWES) on ten acres of prime A-1 Defence land worth ₹ 3.20 crore without prior approval of the Government. Also an expenditure of ₹ 18.83 lakh was incurred on special repairs to the buildings occupied by another school at Delhi Cantonment.

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Paragraph No. 3.4 Non-crediting of revenue into Public Fund

In violation of Government orders, revenue realised by letting out Government owned buildings by certain Army Units was diverted to Non-Public funds.

While examining the Paragraph 2.1 on “Delay in execution/renewal of leases”, the Public Accounts Committee had made the following recommendations for strict compliance by the Ministry:

- i) An effective mechanism be evolved to maintain proper records regarding execution of Defence lease deeds and renewal of leases through a calendar;
- ii) Identification of all cases of lease of Defence land or other properties pending for more than six months and to prescribe a time frame for their finalization;
- iii) Adopt a policy of renewing the leases on due dates with an inbuilt clause for reasonable enhancement of rates every five years; and
- iv) Pinpoint responsibility for inexplicable delays/inaction/lapses on the part of the concerned official(s).

Report No. 5 of 2007 (Air Force and Navy) for the year ended March 2006

Paragraph No. 3.5: Operation of an auditorium on commercial basis by IAF on prime Defence land without sharing earnings with the Government

IAF permitted running of an auditorium as a commercial venture on prime Defence land and no financial benefits were being passed on to Government as required under the Ministry’s instructions even though manpower and other resources were being diverted from IAF to run the facilities. While Government has incurred a loss of revenue to the extent of ₹ 8.02 crore on account of non recovery of rent, it incurred unauthorized expenditure of ₹ 1.37 crore for creating a supernumerary establishment for the auditorium and loss on account of consumption of electricity, which was yet to be quantified.

Report No. CA 4 of 2008 (Army and Ordnance Factories) for the year ended March 2007

Paragraph No 2.2 Irregular appropriation of Defence funds intended for payment of compensation to farmers

Failure of a DEO to monitor the disbursement of compensation to the farmers resulted in mis-utilisation of Defence funds by the State Government.

Paragraph 3.7: Avoidable payment of interest due to delay in issue of sanction

Delay in payment of compensation for the land acquired in Goa owing to delay in issue of sanction by the Ministry resulted in payment of interest of ₹ 67.87 lakh on a balance amount of compensation of ₹ 56.56 lakh.

Paragraph No 6.10: Idle investment on leasing of unsuitable land

Land acquired by Ordnance Factory Board in 2001 on long term lease, on payment of ₹ 1.05 crore, could not be used for the intended purpose on account of its unsuitability for construction of buildings. This resulted in idle investment and continued liability towards payment of lease rent till the land is either disposed off or put to any alternative use.

Report No.CA 17 of 2008-09 (Army and Ordnance Factories) for the year ended March 2008

Paragraph No.2.7: Non-renewal of lease of land occupied by Army Golf Club

Failure of the Ministry to renew the lease of land used by Army Golf Club for about two decades resulted in non-recovery of an estimated rent of ₹ 54.95 crore.

Paragraph No.3.4: Unauthorized use of A-1 Defence land by Army Welfare Education Society

Army Welfare Education Society (AWES), a private society, has been irregularly allowed to construct a Medical College on 25.559 acres of A-1 Defence land at Delhi Cantonment without sanction of the Government of India. Further, assessed rent of the land of ₹ 27.61 crore for the period September 2005 to October 2008 and premium of ₹ 43.59 crore aggregating to ₹ 71.20 crore was also not recovered from the AWES.

Paragraph No. 3.5: Utilization of Government assets for non-governmental purposes

There have been repeated instances of misuse of Defence land, buildings and manpower for running the activities of non-governmental organizations, in violation of government instructions. Station Commander Pachmarhi provided Defence land valued at ₹ 2.96 crore to a Society to establish an education centre for conducting B. Ed course for dependents of the Army personnel. The Station Commander further re-appropriated six Defence buildings for use by the Society and got them repaired at a cost of ₹ 29.90 lakh spent out of government funds. In another case, Station Commander Jalandhar allowed opening of an Army College of Nursing on Defence land and buildings. ₹ 19.23 lakh was also spent from Government funds for the repairs to these buildings. In a third case, Army Service Corps deployed 9 to 15 Army personnel for running a hostel for wards of Army personnel studying in a private Engineering College at Aurangabad. The expenditure on the personnel irregularly deployed for non-bonafide duties was ₹ 1.01 crore for the period from February 2003 to July 2008.

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Report No CA 12 of 2010-11 (Army and Ordnance Factories) for the year ended March 2009

Paragraph No 4.1: Irregular sanction and construction of accommodation for a Golf Club

Commanders of a Corps HQ and an Independent Sub Area got constructed new unauthorized accommodation for a Golf Club at Kharga Golf Course under the guise of special repairs to existing buildings.

Report No CA 16 of 2010-11 (Air Force and Navy) for the year ended March 2009

Paragraph No 2.3: Irregular commercial exploitation of Santushti Shopping Complex

Delay in revision of licence fees and irregular crediting of revenue to non-public fund by IAF authorities in violation of the Ministry's directives and Government orders has deprived the exchequer of revenue amounting to ₹ 9.75 crore approximately. Further, the Ministry's decision to suspend the eviction process without taking any action for more than two and a half years has allowed unauthorized occupants to retain possession of these shops for more than 13 years.

Paragraph No.2.7: Inordinate delay in development of Air Bases

Despite sanctioning an additional ₹ 25.17 crore for speedy completion of the project on fast track basis, frequent changes in plans led to a delay of over two decades in commissioning a strategic forward base airfield. In the second case, an airbase could not be activated and operationalised, even 25 years after obtaining government approval, for use by fighter aircraft.