OVERVIEW

Project Management in Armament Research and Development Establishment, Pune (ARDE)

Scrutiny of staff projects undertaken by ARDE during last 15 years, revealed that out of 46 closed Staff projects, only 13 underwent production while in the remaining either no production was required or claims of success could not be substantiated. Many of the projects failed as these were taken up without firming up the General Staff Qualitative Requirements (GSQR) or frequent changes in Qualitative Requirements were made by the users. Excessive time overrun and non-acceptance of the final output by the users also led to closure of the projects. In many cases, delays and failures led to dependence on imports.

(Chapter 7)

Delay in induction of state-of-the art Artillery Guns

Failure of the Ministry of Defence and Army in defining the requirement of specific gun system had deprived its Artillery, for over a decade, of guns of latest technology, which are in service world over. The abnormal delay in procurement of the state-of-the-art technology gun replacing the existing guns of obsolete technology of 1970, had not only impacted the operational preparedness of the Army but also resulted in substantial cost overrun.

(Paragraph 2.1)

Delay in establishment of repair facilities (Mini Depot) and unwanted import of Trailers

Advance payment of ₹ 100.18 crore had been made to the United States Government (USG) between March 2008 and October 2009 to establish Mini Depot for repair of 12 Weapon Locating Radars (WLRs) by September 2010. No progress had been made towards setting up of repair facility by due date. Consequently, a number of WLR remained non-functional for want of repairs. Besides, incorrect analysis of requirement of support equipments for the WLRs led to unwanted procurement of twelve Trailers at a cost of ₹ 2.19 crore.

(Paragraph 2.2)

Failure of the project "Mission Excel Information Technology (MEIT)" in Defence Accounts Department

The project "Mission Excel Information Technology (MEIT)" of Defence Accounts Department (DAD) planned with the objectives of automation of every function of DAD was derailed from its path in spite of incurring expenditure of ₹ 20.47 crore. The intended objectives of automation of all functions of DAD remain unachieved even after four years.

(Paragraph 2.3)

Non-realization of revenue due to non-revision of rent of land

Rent of 3.52 acres of land given to Cantonment Board, Agra for construction of shopping centres which was subject to revision after every five years could not be revised by the Defence Estate Officer, Agra for 36 years. This allowed the Cantonment Board to exploit Government land for commercial purposes without payment of commensurate revenue to the Government to the extent of ₹ 2.12 crore.

(Paragraph 2.4)

Extra expenditure due to acceptance of higher rates

Director General National Cadet Corps (DGNCC) violated the provisions of General Financial Rules and Defence Procurement Manual (DPM) while procuring mosquito nets for its Cadets. By adopting incorrect practice of purchasing 80 *per cent* quantity from past suppliers at higher rates than that of L-1 firm, extra expenditure of ₹ 21 crore had been incurred.

(Paragraph 3.1)

Diversion of funds from Government into non-Government account for procurement of Personal Kit items

Army HQ had set up a commercial outlet in the name of Personal Kit Store (PKS UN) without approval of the Ministry. Through this outlet, transactions of Government stores worth ₹ 140.75 crore were carried out for last three years. Stores for PKS (UN) were procured by diverting funds from Government into non-Government Account and Army had charged service charges of ₹ 5.36 crore irregularly.

(Paragraph 3.2)

Irregular de-hiring of house constructed on leased land

Chief of Staff, Southern Command accorded sanction for de-hiring of a house hired on old lease agreement prior to March 1976 although Ministry of Defence is the competent authority for de-hiring in such cases. This enabled the lessee to transfer the leasehold rights of 1.14 acres of Defence land valuing ₹ 2.77 crore to a private builder for its possible commercial exploitation.

(Paragraph 3.4)

Deficiency of fire fighting staff at Central Ammunition Depot

Non-rationalisation of fire fighting (FF) staff in Ordnance Depots within an Army Command created a critical deficiency over 40 *per cent* of fire fighting personnel in Central Ammunition Depot leaving it susceptible to risk of fire. Interestingly, other four depots were holding surplus FF staff ranging from 28 *per cent* to 120 *per cent* and paid pay and allowances of ₹ 5.81 crore to them from 2004-05 to 2008-09.

(Paragraph 3.5)

Loss of ₹ 1.19 crore due to irregularities in the accountal of Hay

Due to irregular accounting, hay weighing 1492.92 MT valuing ₹ 1.19 crore was not found on ground or found unfit for animal consumption in Military Farm Jammu. The irregularity could only come to light at the time of handing/taking over by the Officer-in-Charge of the Military Farm.

(Paragraph 3.6)

Non-conclusion of contract resulted in extra avoidable expenditure of ₹ 59 lakh

Director Military Farms, Western Command procured locally compounded cattle feed at higher rates due to non-acceptance of lowest tender within validity date as Integrated Financial Advisor (IFA) could not issue his concurrence for four months. The resultant delay in conclusion of contract for cattle feed for three stations had resulted in avoidable extra-expenditure of ₹ 59 lakh.

(Paragraph 3.7)

Avoidable expenditure due to rejection of a valid tender

Headquarters Western Command rejected a valid tender of a firm for procurement of meat group items by ignoring opinion of the Integrated Financial Adviser. Subsequently, the meat items were procured at higher rates first through local purchase and then in retendering from the same firm (s). This resulted in avoidable expenditure of ₹ 89.80 lakh.

(Paragraph 3.8)

Loss due to non-inclusion of laid down clause in wheat grinding contracts

Improper provision in the wheat grinding contracts concluded by the Major General Army Service Corps of two Army Commands resulted in less receipt of atta and consequential loss of ₹ 63.85 lakh. This also gave the millers undue advantage.

(Paragraph 3.9)

Injudicious procurement of Tippers

Engineer-in-Chief (E-in-C), Army Headquarters procured 15 Lorry Tippers for the Military Engineer Services (MES) at Port Blair without their authorization/demand. The Tippers on which an expenditure of ₹ 1.31 crore was incurred for procurement and transportation were lying unutilized since their receipt by the MES.

(Paragraph 3.10)

Irregular payment to Civil Hired Transport Contractors

Irregular payment of ₹ 32.29 lakh had been made to the Civil Hired Transport Contractors due to dubious booking of Civil Hired Transport by two Ordnance depots for conveyance of ordnance stores to dependent units.

(Paragraph 3.11)

Avoidable provisioning of tyres of Scania Vehicles

Over-provisioning of Scania Tyres costing ₹ 87.18 lakh had been made due to incorrect assessment of requirement by a Central Ordnance Depot. 70 *per cent* of the shelf life of these tyres had already expired in storage.

(Paragraph 3.12)

Procurement of defective spares from foreign vendor

Imported spares of Gun Machine and Missiles worth ₹ 2.30 crore were found unsuitable and were lying in Ordnance Depots without serving the intended purpose for the last three years.

(Paragraph 3.13)

Overpayment in Electricity Bills

Overpayment of ₹ 1.63 crore had been made to the electricity supplying agencies due to application of incorrect tariff schedule or failure to intimate correct contracted maximum demand (CMD) by the Military Engineer Services.

(Paragraph 4.1)

Loss due to collapse of a bridge

A bridge under construction by a Border Roads Task Force collapsed due to failure of unapproved staging/shuttering and non-implementation of checks and balances during execution. It has led to loss of ₹ 1.30 crore.

(Paragraph 5.1)

Non-completion of bridge after twelve years of sanction

Improper planning and supervision of works resulted in non-completion of the bridge on a river in Uttrakhand after 12 years despite spending ₹ 3.54 crore.

(Paragraph 5.2)

Avoidable procurement of core drilling machine

Director General Border Roads incurred an expenditure of ₹ 1.81 crore in procurement of eight core drilling machines for five Project Chief Engineers without their requirement. The machines could not be utilized for the intended purpose for the last three years.

(Paragraph 5.3)

Blockage of public money due to acquisition of unusable land

Defence Research and Development Organisation (DRDO) acquired 407 acres of forest land at Faridabad for ₹ 73.26 crore in April 2008 to set up a centre. The land could not be used for construction activities as diversion of land for non-forestry purpose was not permitted by the Central Empowered Committee (CEC).

(Paragraph 6.1)

Procurement/receipt of equipments after the closure or at the fag end of a project

Equipments worth ₹ 1.52 crore were procured by an Establishment of DRDO after completion of the concerned project, implying that the procurement was avoidable.

(Paragraph 6.2)

Development of a Modular Bridge below requisite specification

Against the users' requirement of modular bridge of 46 metre span with Military Load Class (MLC)-70, DRDO developed 40 metre span MLC-70 modular bridge by spending ₹ 21.46 crore. The Army did not accept the bridge being below requisite specifications and their requirement of modular bridge remains unfulfilled for nine years.

(Paragraph 6.3)

Performance of Ordnance Factory Organisation

The Ordnance Factory Organisation comprising 39 Ordnance Factories with manpower of 99374 is engaged in production of arms, ammunition, equipment, clothing etc. primarily for the Armed Forces of the country. The value of production aggregated to ₹11817.89 crore in 2009-10 which was 11.38 *per cent* higher than the value of production of ₹ 10610.40 crore in 2008-09.

While, till 2007-08, the Ordnance Factories had been able to maintain negative charge to the Consolidated Fund of India, the trend of generating surplus of receipts over expenditure in Ordnance Factory Organization got reversed since 2008-09 due to increase in manufacturing cost.

The total revenue expenditure of Ordnance Factory Organisation has increased from ₹ 9081.28 crore in 2008-09 to ₹ 10812.10 crore during 2009-10.

During 2009-10, production of 134 items (out of 434 items for which demands existed and targets were fixed) was behind schedule.

There was a shortfall of 70.22 per cent in achieving the target for export during 2009-10.

(Paragraph 8.1)

Extra expenditure due to delay in finalization of a purchase agreement

Abnormal delay in firming up an offer collectively by the Heavy Vehicles Factory Avadi, Armoured Vehicles Headquarters Avadi and Ministry of Defence despite being aware of the availability of a machine from only one source led to its procurement at an avoidable extra expenditure of ₹ 1.36 crore after obtaining fresh offers.

(Paragraph 8.2)

Extra expenditure due to purchase of spares at higher cost

Acceptance of costlier offer of M/s Bharat Earth Movers Limited by Ordnance Factory Board for procurement of spares of infantry combat vehicles despite being aware of their availability from the foreign firm at cheaper rates resulted in procurement of spares at a higher cost by ₹ 83.67 lakh by Ordnance Factory Medak.

(*Paragraph 8.3*)

Undue benefit to a firm

Ordnance Factory Ambernath extended an undue benefit of ₹ 9.77 crore to the Minerals and Metals Trading Corporation Mumbai owing to the factory's failure to insist upon supply of the outstanding quantity of copper cathodes at London Metal Exchange rates of February 2007 as per the supply order and accepting the same at higher rates of May 2007.

(Paragraph 8.4)

Avoidable import of propellant

Ordnance Factory Khamaria provided incorrect information to the Ordnance Factory Board about stock balance of propellants of an ammunition, which resulted in avoidable import of propellant valuing ₹ 2.17 crore and an extra expenditure of ₹ 39.79 lakh when compared with cost of production of the item at Ordnance Factory Bhandara.

(Paragraph 8.5)

Non-recovery of cost of rejected turret castings

Heavy Vehicles Factory Avadi failed to recover the cost of rejected turret castings valuing ₹ 73.83 lakh despite observing the defects within the warranty period. The factory however partly recovered ₹ 37.43 lakh from one of the Public Sector Undertaking after being pointed out in Audit and is awaiting recovery of remaining ₹ 36.40 lakh from another Public Sector Undertaking.

(Paragraph 8.6)