

## CHAPTER III: ARMY

### 3.1 Unauthorised use of defence assets and manpower for the benefit of Army Welfare Education Society

**Despite repeated instructions by the Ministry of Defence to stop misuse of Government buildings for non-governmental purposes, the Army authorities in Pune allowed un-authorised use of Defence buildings by Army Public School and spent ₹ 83.52 lakh for their repairs/renovation. Further, the Military Secretary's Branch of the Integrated HQ of the MoD (Army) irregularly posted nine Army Officers to run professional institutes of the Army Welfare Education Society (AWES), a private society.**

The Scales of Accommodation for Defence Services do not permit provision of Government owned buildings for running educational institutes by private agencies. The use of defence land/buildings for running of public schools/ educational institutions, etc of non-governmental agencies like the Army Welfare Education Society (AWES) require prior approval of the Government. Taking note of the re-appropriation of Defence buildings by local commanders for use of such institutes, the Ministry issued instructions in October 2000 and October 2001 making it clear that misuse of delegated powers would attract disciplinary action and that the Military Engineer Services (MES) should not incur any expenditure from public funds on Defence buildings occupied by the Army Public Schools (APS) and other educational institutions run by the AWES. The deployment of service personnel for non *bona fide* duties of running such institutes was also not allowed.

#### *I Unauthorised works*

Our test check of sanctions revealed continued non-compliance to the Ministry's orders by the Army Officers. The General Officer Commanding-in-Chief (GOC-in-C) HQ Southern Command Pune, issued sanctions in January 2008 and March 2008 for undertaking special repairs to eight defence buildings by the MES and got it executed at a cost of ₹ 83.52 lakh. The sanction did not mention that the buildings were in use by the APS. We observed that these buildings were being used by the APS since April 1997 under a sanction issued in 1999 by the Station Commander Pune for temporary re-appropriation of five buildings, which was later extended by three years in respect of three buildings. In clear non-compliance with the Ministry's orders of 2000/2001, the use of the buildings for the school continued and proposal was not submitted for approval of the Ministry by the local authorities. Thus the occupancy of the school building by the APS/ AWES continued to remain unauthorised. Sanction and execution of special repairs to these buildings were also irregular.

## **II Irregular deployment of service personnel**

Further, with effect from December 2005, nine officers of the Army were posted by the Military Secretary's (MS) Branch of the Integrated HQ of the Ministry (Army) to AWES-run professional institutes like Army Institute of Technology Pune, Army College of Medical Sciences, New Delhi and Army Institute of Law, Mohali. The pay and allowances paid to the officers posted to AWES between December 2005 and January 2012 worked out to ₹ 1.56 crore, which along with leave salary/pension contribution should have been recovered from AWES. The Principal Controller of Defence Accounts (Officers) Pune in reply to our observation stated in June 2011 that the MS Branch of the Integrated HQ of the Ministry (Army) had clarified that posting of officers was purely of administrative nature and it was well within the realm of responsibilities of the MS Branch. This argument of the MS Branch is untenable as posting of these officers to AWES was not for *bona fide* Defence duties and charging their salaries to Defence Services Estimates was in contravention of the Ministry's orders and was therefore irregular. The irregular disbursement of pay and allowances along with the leave salary/pension contribution needs to be recovered from the AWES.

It can thus be seen that though the Ministry had issued orders strictly advising Army authorities against allowing Government buildings to be used for educational purposes by AWES, it has not been able to ensure that their orders are being complied with. Further, the Defence (Finance) have also concurred with decisions of Army Commanders to sanction building works expenditure and pay and allowances relating to service personnel deployed with AWES in clear violation of Ministry's orders.

We are of the opinion that the current state of affairs in this regard which has been repeatedly brought out in our Reports (Para 3.5 of Report No CA 17 2008-09, Para 3.8 of Report No CA 4 of 2008, Para 2.4.10 of Performance Audit Report No. 4 of 2007, Para 3.3 of Report No 4 of 2007, Para 3.5 of Report No 6 of 2005 and Para 27 of Report 7 of 2001) erodes the credibility of established command structure in the country's Defence Establishment. Either the Ministry of Defence should validate the actions of the Army Commanders at various levels by according ex post-facto sanctions wherever sought and issue general orders delegating powers to Army Commanders to allow use of land, buildings and personnel for welfare activities for the benefit of serving/retired defence personnel with appropriate safeguards in consultation with Defence (Finance) or enforce orders issued by it on the subject. Allowing the status quo to continue not only typifies bad governance but also is fraught with the risk of corroding financial discipline within the Defence Establishment as a whole.

The cases were referred to the Ministry in April 2012; their reply was awaited as of July 2012.

### 3.2 Unfruitful expenditure on development of Modular Charge System for field guns

**Defence Research and Development Organisation undertook a Technology Development project for development of modular charge system for 105 mm and 130 mm guns based on a request by the Director General of Artillery. However, on successful completion of the project the Artillery expressed lack of interest in the technology, resulting in unfruitful expenditure of ₹ 13.48 crore.**

Defence Research and Development Organisation (DRDO) undertakes competence build up projects known as Technology Demonstration (TD)/ Research & Development (R&D)/Science and Technology (S&T)/ Infrastructure Development Projects in a given area of research or to solve specific problems arising out of Staff projects, taken up to meet specified requirements of the Armed Forces. TD Projects are planned to establish technologies which would find application in Staff projects in future.

In the field of artillery guns, modular charge system was considered desirable over the existing bagged charge system in view the advantages such as automation, less wear and tear of barrel, etc. DRDO took up an S&T project in 2002 to develop competence in the field of modular charge system for 155 mm gun. However, it was only after completion of the development work in November 2006 that the DRDO informed of the project to the Director General of Artillery, the eventual beneficiary. When the issue was discussed in a meeting held in the same month under the chairmanship of the Defence Secretary it was decided to close the S&T project and to undertake a TD project for development of modular charge system for 105 mm and 130 mm guns. The overriding consideration for this was that the technology for production of the charge system for 155 mm guns had already been imported by the Ordnance Factory Board.

Pursuant to the above decision, in December 2007, the Ministry of Defence D(R&D) sanctioned the TD Project for completion by December 2010. DRDO assigned the project to High Energy Materials Research Laboratory (HEMRL), which in 2002, had taken up the S&T project for competence build up for the modular charge system for 155 mm guns and completed the same in November 2006.

After 15 months of the sanction of the project at the behest of the DG Artillery, the School of Artillery carried out a feasibility study in March 2009, in regard to TD Project, and found that it would not be cost effective to change over to modular charge system in view of the planned phasing out of 105/130 mm guns in less than two decades. However, HEMRL was allowed to continue with the TD project on hand.

HEMRL developed the systems by spending ₹ 13.48 crore and after successful technical trials offered both the systems (105/130 mm) in September 2010 to the users for user trials. However, at that stage DG Artillery showed disinterest in the system since the field guns were nearing the end of their life cycle and

were likely to be de-inducted from service over next 7 to 10 years. This had rendered the entire efforts and expenditure of ₹ 13.48 crore unfruitful.

In reply to audit observation, the DG Artillery stated (May 2012) that DRDO had been asked to undertake the project at no cost implication to the Army and the systems were not accepted as the DRDO did not adhere to the timeline of January 2009 for offering the systems for user trials. On the contrary, the DRDO HQ stated (July 2012) that the Army had been associated at each stage of development and informed of the progress. The argument of the DG Artillery for not accepting the systems and attributing it to the delay of about 20 months in offering modular charge system for trials lacks conviction. As the 105/130 mm guns were already planned to be phased out, this delay alone could not have contributed to their decision to not switch over to modular charge system. Clearly, the DG Artillery did not make a serious effort to assess the likely benefits of the TD Projects before asking the DRDO to undertake the TD project.

The necessity of DRDO undertaking an S&T project in December 2002 for development of the modular charge system for 155 mm guns when such competence had already been acquired by OFB is also questionable.

The finger pointing by two organisations both under the Ministry of Defence, DRDO which is responsible for indigenisation and Army which is expected to put such indigenous weapons system to use, indicates that both the organisations within the same Ministry have been operating in silos. The unfruitful expenditure of ₹ 13.48 crore only highlights the need for the Ministry to take urgent drastic measures to ensure synergy between DRDO and the Defence Services so that each Rupee spent on the country's defence gives the optimum return.

The case was referred to the Ministry in March 2012; their reply was awaited as of July 2012.

### **3.3 Failure of HQ Southern Command to safeguard Defence land from commercial exploitation**

**Local military authorities at Pune allowed a private builder to divert Defence land for commercial use, in violation of the Court orders for reserving the land for married accommodation project.**

The Defence owned land that is vacant or unused is leased out to private/public agencies for specified period as per the terms and conditions governing such lease, which *inter alia* provided that the lessee was not authorized to make any alteration in the plan or elevation of the said building without consent of the lessor. Further, neither the Cantonment Land Administration rules nor the terms of the lease permitted swapping of land or owner's right in it for any other property.

Bungalow No. 8-A Lothian Road on 0.96 acres of Defence land in Pune Cantonment was leased out to Mr. Rustom Merwanji Master and Mrs Baimai

Rustom Master in 1946 by the then Governor General in Council for 30 years, on renewable terms up to 90 years, with effect from August that year for use as dwelling house and shops. The lessee had submitted (1945) a plan for commercial exploitation of the land over which the bungalow stood whereby 56 *per cent* of land was to be used for commercial purpose and the rest for the residential purpose. The lease was last renewed by the Defence Estates Officer, Pune (DEO) for 30 years from August 2006.

The original lessees sold their rights to M/s Kalpataru Builders in March 1988, who sought (August 1988) approval of Pune Cantonment Board to construct 67 shops and a small residential apartment on the site. The Cantonment Board referred the case to the DEO who refused permission on the ground that the proposal involved more intensive commercial exploitation of the land which was against the terms of original lease.

The Director of Defence Estates Southern Command Pune, the Appellate authority, to whom the builder appealed against the decision of the DEO upheld (June 1991) the latter's decision and directed the builder to submit a revised plan adhering to the plan submitted by the original lessees in 1945. HQ Southern Command Pune objected to the commercial exploitation of the land on the grounds of security as commercial activity would result in influx of civilians, unsocial and anti-national elements into the area. It moved (November 1996) Army HQ to take over the land for construction of married accommodation as the property already fell in the Zonal Plan for married accommodation.

The builder, in the meanwhile, filed a writ petition in the Bombay High Court challenging the rejection of its proposal to construct building. The Court dismissed the petition (September 2005), but gave the builder an option to apply to the General Officer Commanding-in-Chief (GOC-in-C) for permission to construct as per plan of the original lessees, thereby retaining the area of 44 *per cent* for construction of married accommodation for Army Officers.

Based on the revised application of the builder and after obtaining approval of the GOC-in-C, the Cantonment Board permitted the builder (January 2006) to construct the building with the condition that 44 *per cent* of land would be offered for married officers' accommodation. The builder's petition in the Supreme Court challenging this condition was dismissed in September 2006.

Since the builder was unwilling to accept the condition imposed by the GOC-in-C, the Station Commander, HQ Pune Sub Area and ex-officio President of the Cantonment Board in July 2008 recommended the GOC-in-C for initiation of action to revoke the approval given in January 2006 to the building plan submitted by the builder. However, in December 2008, HQ Pune Sub Area completely reversed its own recommendation to the HQ Southern Command and suggested that if an amicable 'out of court' settlement could be arrived at the condition of reservation of 44 *per cent* area for married accommodation should be withdrawn. The GOC-in-C accepted the suggestion and agreed (December 2008) to withdraw *ibid* condition in lieu of accepting three flats, each of minimum area of 1200 sq ft, in close proximity to Pune Cantonment to

be leased in favour of Army for a period of three years extendable by two years. The Station Commander, in January 2009, signed an agreement accepting three flats located in a remote locality at Magarpatta city, Pune 7.9 km from where the bungalow is located, on payment of lease rent, equal to the house rent allowance to which the occupant of the flats are eligible. These three flats were taken over by the Army in April 2009. HQ Southern Command, by authorizing this deal, had not only operated outside the framework of CLA Rules, the original terms of lease and the intent of the Court's direction but also seriously compromised the interests of Army by accepting an inferior property for an incredibly short period in lieu of right to exploit a highly valuable piece of land in the prime area of Pune with virtually no limitations of usage.

HQ Southern Command stated (June 2012) that the case had been referred to the Central Bureau of Investigation and declined to provide any further comments to explain the specific consideration that prompted the local military authorities to make a volte-face in December 2008/ January 2009 and added that the information available with them may undergo changes consequent to the investigation that was under way. The relevant files on which such a decision was taken were therefore not produced for audit scrutiny. This is a case similar to the one reported in the Report No. 11 of 2011-12 of the Comptroller and Auditor General of India on the Adarsh Co-operative Housing Society demonstrating a pattern whereby the persons holding fiduciary responsibility in the Ministry of Defence have betrayed it. The Ministry needs to take serious view of such transgressions by the local military authorities and take effective corrective action.

The case was referred to the Ministry in January 2012; their reply was awaited as of July 2012.

### **3.4 Overpayment of conservancy charges to Cantonment Board Pune**

**Station HQ Pune did not verify the nominal rolls of conservancy staff actually reported for duty leading to overpayment of ₹ 94 lakh to the Cantonment Board Pune on account of conservancy charges.**

In paragraph 53 of the Report of the Comptroller & Auditor General of India for the year ended 31 March 1997 the inability of Audit to verify the genuineness of the payments made by a Cantonment Board (Board) for want of nominal rolls/details of employees deployed for conservancy services by the Board was pointed out. Consequently the Ministry of Defence instructed (July 2003) all concerned to incorporate the following provision in the Conservancy Agreement Form:

“The Cantonment Board shall furnish to Station Commander the total number of conservancy staff (Category-wise) to be employed under this agreement. They shall also route the bills through the Station Commander duly supported with a nominal roll of conservancy staff so employed in a particular month under the agreement. The nominal rolls and details of employees actually

deployed for conservancy services by Cantonment Board (s) shall be maintained by Station Commander for production to Test Audit on requirement, as an auditable document to ensure correctness and effective control over expenditure”.

We observed (January 2010) that despite the instructions issued by the Ministry, the conservancy agreements concluded by Station HQ Pune for the years 2006-07 to 2009-10 at an aggregate value of ₹ 4.37 crore, with the concurrence of the Principal Controller of Defence Accounts, Southern Command Pune (PCDA), did not include above provision to ensure maintenance of nominal rolls and details of employees actually deployed. Our scrutiny of records revealed that there were large variations in the number of conservancy staff deployed by the Cantonment Board and those who actually reported for duty at Station HQ and the Station Health Organisation Pune (SHO). Station HQ Pune routinely forwarded the conservancy bills received from the Board to the PCDA for payment without checking the correctness of the bills with reference to their own records. This resulted in overpayment of about ₹ 94 lakh during the period from April 2006 to September 2010. The overpayment was reckoned by considering the average pay of the drivers/cleaners/fillers who did not actually report for duties, but in respect of whom payment had been made to Board.

Station HQ Pune admitted (January 2010) the above facts and stated (December 2011) that attendance register had been maintained since December 2010 after it had been pointed out by us.

The failure of the Station HQ in complying with the Ministry’s instructions of July 2003 about maintenance of proper records of nominal rolls of actual attendance of conservancy staff had resulted in overpayment of ₹ 94 lakh to the Board. The mistake had remained undetected by the PCDA both at disbursement stage as well as during local audit.

We recommend recovery of the overpayment from pending/ future payments to the Cantonment Board.

The matter was referred to Ministry in February 2012; their reply was awaited as of July 2012.

### **3.5 Projection of inflated requirement of ammunition**

**Based on projection of requirements by Directorate General Ordnance Services the Ministry of Defence placed indent on Ordnance Factory Board *inter alia* for supply of two types of ammunition and also granted "in principle" approval for their import, despite holding surplus quantities in stock. Audit intervention led to cancellation of indents on Ordnance Factory Board as also stopped further action on import, leading to a saving of about ₹ 168.75 crore.**

The Director General Ordnance Services (DGOS) of the Master General of Ordnance (MGO) Branch in the Integrated Headquarters of the Ministry of

Defence (Army) is responsible for conducting annual provisioning review of the ammunition based on past wastage pattern, existing stock, dues-in and expected liabilities. We noticed (December 2008 and July 2010) instances of over-projection of requirement of two types of ammunition by the DGOS. Despite holding surplus ammunition, based on a proposal of the MGO, the Ministry of Defence in January 2010 placed a consolidated indent on the Ordnance Factory Board (OFB) for supply of additional quantities, over five years from 2009-10 to 2013-14. The MGO also obtained "in principle" approval of the Ministry in January 2010 to import additional quantity of ammunition to build up ammunition stocks to minimum acceptable risk level (MARL), stating that the capabilities of the ordnance factories had restraining factor to the required build up.

After we pointed out (December 2008 and July 2010) the surplus holding of the ammunition, the DGOS cancelled (September 2010) the indent that had been placed on the OFB and also did not proceed further with the proposed import, thereby saving ₹ 168.75 crore that would have been spent unnecessarily, besides warranting associated expenditure on handling and storage of unwanted ammunition. Specific features of each of the case are as under:

Sl No.	Name of ammunition	Surplus stock	Quantities approved for procurement	Audit comment
		Month of Stock holding	Period	
1.	5.56mm Blank INSAS	48.09 lakh ----- July 2009	480.00 lakh rounds (indigenous) ----- January 2010	Reasons ascertained for ordering additional quantity when there was surplus stock of 48.09 lakh rounds.
			148.64 lakh (import) ----- January 2010	
2.	Cartg.SA .22 Rim Fire Tracer	62.33 lakh ----- December 2008	50 lakh rounds (indigenous) January 2010 ----- 169.44 lakh (import) ( January 2010)	Reasons ascertained for ordering/ demanding additional quantity when the existing stock of 62.33 lakh rounds were sufficient to meet the normal requirement of indenting units for the next 19 years.

The above two cases reveal that but for the Audit intervention an avoidable procurement of ammunition for ₹ 168.75 crore would have been made. The entire episode of placing of indent on OFB and obtaining approval for import of additional quantity when surplus stock of ammunition existed reveals deficiencies in monitoring inventory levels at Ammunition Depots. We recommend appropriate strengthening of internal controls in the Ministry to ensure that procurement decisions/ approvals are made based on available stock positions.

The case was referred to the Ministry in May 2012; their reply was awaited as of July 2012.

### **3.6 Extra expenditure due to non-acceptance of reasonable L1 rates**

**Misconceived intervention by Army Commander Western Command, in three separate procurement processes relative to supply of fresh rations for troops during 2009-10, led to delay in conclusion of contracts and an extra expenditure of ₹ 4.57 crore.**

The procedure governing procurement of fresh ration supplied through Army Service Corps (ASC) to the troops stipulates that purchases are to be made from registered contractors by concluding annual contracts duly following the process of inviting tenders. The Central Vigilance Commission (CVC)'s guidelines governing the process of tendering further stipulate that all factors relating to the evaluation criteria should be specified in unambiguous terms upfront, i.e., before inviting the tender. In case of fresh rations, the composition/ variety of items to be procured is invariably to be worked out by the Station Commander and included in the tender documents. The change of varieties after receipt of tendered rates is not in order.

The procedure was streamlined by the Ministry of Defence in September 2006 to facilitate conclusion of contract in time, as delays and consequential non-conclusion of contracts results in retendering, which apart from postponing procurement action becomes detrimental to the interest of the Government. This is so because pending conclusion of procurement action, consequential local purchases is fraught with risk of (a) the cost of items purchased becoming high, (b) arbitrariness in decisions and (c) unhealthy trend of higher rates in future contracts.

In Western Army Command we observed that during the period 2009-10, in three cases, as discussed below, the Army Commander, acting contrary to the recommendations of the Staff Officers and the financial advice, recommended to the CFA (a) variation in the proportion of the items in supply of fresh rations after the tenders were opened, (b) rejection of an L1 tender in favour of L2 tender on grounds of L2 having perceived edge in terms of quality, delivery chain, etc all factors that had already been reckoned both in the tender documents and the deliberations of the Board of Officers and should, in any case, not have been brought up at post tender stage and (c) intervention in a tender for supply of fresh dressed chicken/ meat on grounds of ascertaining in the midst of annual procurement action the preference of troops, something that could have done independently for the benefit of next annual procurement. Such post-facto interventions, apart from being misconceived, violated a basic principle of public procurement which is not to vary the scope of the tender at a post-facto stage. These imprudent actions of the GOC-in-C led to delay in conclusion of contracts for purchase of fresh rations for the troops and extra expenditure of ₹ 4.57 crore.

**Case I**

<b>Item</b>	Vegetables and fruits
<b>Period of contract</b>	October 2009- September 2010
<b>Date of opening of tenders</b>	25 June 2009
<b>L1 tender recommended by the Panel of officers for acceptance</b>	Average rate of ₹ 5.36 per kg for vegetables and ₹ 12.49 per kg for fruits.
<b>Audit comments</b>	
<p>Although the panel of officers had recommended the acceptance of the L1 tenders, the General Officer Commanding-in-Chief (GOC-in-C), Western Command (CFA) observed that the rates were ridiculously low to ensure good quality supply. The feasibility of making changes to the variety-cum-percentage of fruits was then considered. Although the L1 firm was requested to give willingness for the change of varieties, the firm did not respond. The GOC-in-C, in September 2009, referred the case to the next higher CFA, i.e. Quarter Master General (QMG), and recommended retendering. The Revenue Procurement Board (RPB) headed by the QMG did not accept the proposal as the L-1 rates were within 20 per cent of Reasonable Rates and asked HQ Western Command in October 2009 to reconsider its stand.</p> <p>Meanwhile, the validity of L-1 tender expired. In the second call, L-1 rates were considered high. Finally, in the third call, the GOC-in-C accepted the L-1 rates of ₹ 10.45 per kg for vegetables and ₹ 20.02 per kg for fruits and, in April 2010, concluded a contract for the period April to September 2010, at an extra cost of ₹ 81.88 lakh, as compared to the L1 rates obtained in the first call.</p> <p>In the intervening period, Supply Depot had made local purchases at higher rates ranging between ₹ 11.47 and ₹ 12.45 per kg in respect of vegetables and ₹ 22.98 to ₹ 30.70 per kg in respect of fruits, resulting in an extra expenditure of ₹ 1.42 crore in comparison to the L-1 rate received in the first quote.</p> <p>The recommendation of the GOC-in-C to retender on the plea that the rates received were ridiculously low was not based on any market analysis. Further, it went against the procedure prescribed by the Ministry wherein a panel of officers was made responsible for studying the rate pattern and determination of reasonable rates based on market analysis. Since the panel had affirmed the reasonableness of the rates quoted by the L1 tenderers and recommended their acceptance the action of the GOC-in-C was arbitrary in nature.</p>	

**Case-II**

<b>Item</b>	Milk and butter fresh
<b>Period of contract</b>	October 2009- September 2010
<b>Date of opening of tenders</b>	07 August 2009
<b>L1 tender recommended by the Panel of officers for acceptance</b>	L1 rate of ₹ 23.05 per litre for milk quoted by a private dairy and ₹ 189 per kg of butter of 100 gm pack and ₹ 183 per kg of 500 gm pack quoted by a Co-Operative Milk Federation.

**Audit comments**

Although the Panel of Officers had recommended acceptance of the L1 rates, recommendation of the GOC-in-C to the QMG was to accept the second lowest tender (L2), of the Mother Dairy (higher by ₹ 1.10 per litre of milk) on grounds of better quality, acceptability and preference of troops as well as its efficient distribution networks. Clearly, these parameters for an acceptable supplier had already featured in the specifications of the supplies indicated in the tender documents. The QMG did not agree to the proposal as it was contrary to rules and not substantiated by facts and figures. It advised HQ Western Command in January 2010 to conclude the contract immediately to avoid extra expenditure on local purchase at higher rates.

The contracts could not be concluded as the validity of the L-1 tender had, in the meanwhile, expired. In response to the second call, the GOC-in-C recommended and QMG (CFA), in April 2010, accepted the tender for supply of milk at ₹ 24.15 per litre submitted by the same private dairy and ₹ 239 per kg for 100 gm pack and ₹ 233 per kg for 500 gm pack of butter quoted by the same Co-Operative Milk Federation, during the remaining period from 30 April 2010 to 30 September 2010. This involved an extra cost of ₹ 31.74 lakh in comparison to the L1 rates received in the first call. In the intervening period, the Supply Depot made local purchases at higher rates ranging between ₹ 23.95 and ₹ 26 per litre of milk and ₹ 202 to ₹ 232 per kg of butter in comparison to the L-1 tender resulting in an extra expenditure of ₹ 46.40 lakh. Till the regular contract was concluded in April 2010, milk at higher rates was purchased from the same private firm.

Consequently, milk products procured through local purchase as well as from subsequent L1 tender involved an extra expenditure of ₹ 78.14 lakh.

The recommendation of the GOC-in-C to accept the L2 offer on the grounds of better quality, acceptability and preference of troops as well as its efficient distribution network was subjective since the choice of the troops was never ascertained nor was the milk distributed by the Mother Dairy ever purchased and supplied through the Supply Depot.

**Case-III**

<b>Item</b>	Meat dressed and chicken dressed
<b>Period of contract</b>	April 2009- March 2010
<b>Date of opening of tenders</b>	27 February 2009
<b>L1 tender recommended by the Panel of officers for acceptance</b>	₹ 93.50 per kg for "meat dressed" and ₹ 72.50 per kg for "chicken dressed" quoted by a private firm at New Delhi

**Audit comments**

The GOC-in-C recommended the tender for "chicken dressed" at ₹ 72.50 per kg for acceptance by the QMG (CFA) and retendering for "meat dressed" after ascertaining ratio of choice of troops for goat and sheep meat. Apart from the irregularity of changing the conditions after opening of the tenders, the HQ Western Command, for no recorded reasons, delayed the forwarding of the case to the QMG by 82 days from the date of recommendation of the panel. Even as the quote received in February 2009 was valid only up to 30 June 2009, the case was sent to the QMG as late as 6 June 2009, thus delaying procurement action to the detriment of the Government interest.

The RPB constituted under the chairmanship of the QMG forwarded the case to the Ministry on 29 June 2009, i.e. one day before expiry of the validity of L1 offer, for acceptance of "chicken dressed". The Ministry returned the documents on 30 September 2009 with certain observations but without any decision. The contract could not be concluded as by then the validity of the tender had expired.

HQ Western Command re-invited tenders twice in November and December 2009 with no response. Subsequently, i.e. after obtaining sanction of the Ministry in May 2010 to conclude contracts for "meat dressed" in accordance with the preference of troops, HQ Western Command initiated action to ascertain preference of troops to decide ratio of goat and sheep meat so as to indicate it in tender schedule. The first tender enquiry made in July 2010, clearly showing the preferred percentage, did not materialize into a contract owing to the rates being exorbitant.

In the meantime, i.e. from 08 June 2009 to 31 March 2010, the Supply Depot procured "meat dressed" and "chicken dressed" locally at rates that were higher by 6 to 22 *per cent* for "meat dressed" and 19 to 38 *per cent* for "chicken dressed" as compared to L1 rates received *ab initio*, thus resulting in extra expenditure of ₹ 1.55 crore.

The delaying of the contract action by the GOC-in-C to factor in the preference of the troops for goat or sheep meat in the midst of annual procurement action was contrary to the procedure prescribed by the Ministry and the general guidelines of the CVC that all factors relating to the evaluation criteria should be specified in unambiguous terms upfront, i.e., before inviting the tender. The intervention of the Army Commander to factor in preference of troops in the procurement of meat in the midst of procurement process that had progressed to the bid evaluation though well meant was imprudent and should have been made only for the benefit of the next annual procurement action.

The case needs to be investigated to fix responsibility for non-compliance with the standard procurement procedures, varying procurement conditions after the opening of tenders and pecuniary loss to the Government.

The case was referred to the Ministry in March 2012; their reply was awaited as of July 2012.

### **3.7 Recoveries, savings and adjustment in accounts at the instance of Audit**

**Based on our observations the audited entities had recovered overpaid pay and allowances, sundry charges and recovered electricity & octroi charges, cancelled irregular works sanctions and amended annual accounts, having a net effect of ₹ 16.80 crore.**

During the course of audit, we observed several instances of irregular payments, under/non-recovery of charges, issue of irregular sanctions and accounting errors. Acting on the audit observations, the audited entities took corrective action, the net effect of which is summarised below:

### **Recoveries**

The check of records of Defence Research and Development Organisation, Principal Controllers of Defence Accounts, Military Engineer Services (MES), Pay and Accounts Offices, Canteen Stores Department (CSD) HQ and Border Roads Organisation revealed instances of irregular payment of pay and allowances, sundry charges, non-recovery of fixed charges of electricity from Personnel Below Officers Rank (PBORs) and rent and allied charges, etc amounting to ₹ 2.77 crore. On being pointed out, the entities concerned recovered/agreed to recover the irregular payments.

### **Savings**

Various sanctioning authorities such as the Ministry of Defence, Area/Sub-Area HQ of the Army, Station HQ, Corps HQ, etc cancelled irregular administrative approvals to works. Some of the MES officers reduced the administrative approval amount by issue of reduction statements in respect of works under execution by them. The net result of these actions was a saving of a total of ₹ 6.80 crore.

### **Amendment of annual accounts**

When we pointed out instances of irregular accounting such as overvaluation of closing stock, inadequate provision towards liabilities and under reporting of amounts due from State Governments, etc, the CSD HQ corrected the annual accounts. But for these corrections, profit would have been inflated and sundry debtors underreported. The net effect of these corrections was ₹ 7.23 crore.