

## OVERVIEW

### **Loss of indigenously designed/manufactured ammunition**

Large quantity of indigenously designed and manufactured ammunition valuing ₹ 408.06 crore was declared unserviceable without thorough investigation and analysis to determine the causes of failure. This resulted in import of ammunition costing ₹ 278.88 crore.

*(Paragraph 2.5)*

### **Irregularities in sanction of Defence Research Development Organisation projects**

Audit scrutiny of Project sanctions issued by the Defence Research and Development Organisation revealed procedural irregularities relating to non-communication of sanctions to Audit, non-maintenance of database of sanctions issued, misleading nomenclature of sanction issuing authority, splitting of sanctions to bring them within the delegated powers, etc. leading to lack of transparency and objectivity in functioning of the organisation.

*(Paragraph 6.3)*

### **Project Management in Research and Development Establishment (Engineers)**

Scrutiny of staff projects undertaken by R&DE(E) during the last 15 years revealed that out of 19 closed staff projects, only 3 underwent production, 2 partly achieved the project requirement and the remaining were not accepted by the users. Many of the projects failed as these were taken up without firming up General Staff Qualitative Requirement. Time overrun, development of improper deliverables, etc contributed to project failures.

*(Chapter 7)*

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

Despite holding surplus stock, the Ministry of Defence based on the requirements projected by Director General Ordnance Services placed indent on Ordnance Factory Board for supply of ammunition besides 'in principle' approval for their import. Timely intervention by Audit led to cancellation of orders resulting in a saving of ₹ 168.75 crore.

*(Paragraph 3.5)*

### **Illegal sale of Defence land**

Army authorities relinquished the land measuring 5166 sq m and valuing ₹ 5.94 crore under their active occupation since 1942 to a private company based on an irregular NOC issued by DEO Mumbai. The Central Ordnance Depot, Mumbai failed to get the land transferred in its favour from the State Government authorities. Army HQ, instead of investigating and defending its case, allowed the company to go ahead with the development work in the vicinity of military establishments thus compromising with defence security.

*(Paragraph 2.2)*

### **Loss due to non-levy of licence fee on vehicles entering Cantonment Board Ahmednagar**

The injudicious decision of the Principal Director Defence Estates, Pune to withhold the proposal of the Cantonment Board, Ahmednagar for obtaining Government sanction for levy of licence fee in lieu of vehicle entry tax on vehicles entering the Cantonment resulted in a revenue loss of ₹ 4.72 crore.

*(Paragraph 2.3)*

### **Excess payment on account of exchange rate variation**

In a clear departure from the Defence Procurement Procedure 2006, the Ministry adopted incorrect base rate for computing exchange rate variation. This led to extra payment of ₹ 1.47 crore to a Defence Public Sector Undertaking in procurement of an equipment having import content for the Army.

*(Paragraph 2.4)*

### **Unauthorised construction of hotels on Old Grant sites/leased Defence land**

24 Holders of Occupancy Rights and 12 leaseholders converted old grant/lease hold sites granted for residential/shop purposes into hotels at Panchmarhi without prior sanction of the Government. The Defence Estates Officer/Cantonment Board failed to stop such unauthorised use. Similar cases were noticed at Barrackpore Cantonment.

*(Paragraph 2.7)*

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

In clear non-compliance of orders of October 2000 and October 2001 of the Ministry of Defence, the Army authorities in Pune allowed unauthorised use of Defence buildings by Army Public School and spent ₹ 83.52 lakh on their repairs/renovation. Besides, nine Army officers were irregularly posted to run

professional institutes of the Army Welfare Education Society without recovering an amount of ₹ 1.56 crore relating to their pay and allowances for the period from December 2005 to January 2012 from the Society.

(Paragraph 3.1)

### **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 projection made by Director General Artillery. However, on completion of the project the DG Artillery expressed disinterest in the technology due to the likely de-induction of these guns from the service leading to unfruitful expenditure of ₹ 13.48 crore incurred on the development of the system.

(Paragraph 3.2)

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

HQ Southern Command allowed a private builder to divert Defence land for commercial use in violation of Cantonment Land Administrative Rules, the original terms of lease and the Court Orders for reserving the land for married accommodation project by accepting an inferior property in lieu thus compromising the interests of the Army.

(Paragraph 3.3)

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

The imprudent action of the GOC-in-C Western Command to reject reasonable L1 rates for purchase of fresh rations for the troops led to delay in conclusion of contracts involving extra expenditure of ₹ 4.57 crore.

(Paragraph 3.6)

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

In pursuance of Audit Observations the audited entities recovered overpayments pertaining to pay and allowances, electricity, octroi and sundry charges, cancelled works sanctions and amended annual accounts, having a net effect of ₹ 16.80 crore.

(Paragraph 3.7)

### **Overpayment of water charges by the Garrison Engineer Kamptee**

The Garrison Engineer Kamptee failed to repair/replace defective water meter and paid the bills on the basis of water pumping hours instead of average consumption as laid down in the agreement resulting in overpayment of ₹ 4.70 crore to the Nagpur Municipal Corporation.

*(Paragraph 4.1)*

### **Excess payment of water charges by Garrison Engineer Hisar**

Military Engineer Services paid excess amount of ₹ 12.92 crore to the Haryana Government for drawal of water for Military Station Hisar as it failed to pursue the matter diligently with the State Government for proper categorisation as prevalent in other stations of the state.

*(Paragraph 4.2)*

### **Construction of sub-standard bunkers**

The hasty issue of a satisfactory completion certificate by the Garrison Engineer despite defects repeatedly pointed out by the users and lack of proper supervision by the inspecting officers of the Military Engineer Services resulted in construction of sub-standard bunkers at Sunderbani at a cost of ₹ 7.61 crore. The bunkers continued to remain defective even after three years of their completion.

*(Paragraph 4.3)*

### **Extra payment to a Contractor**

The Chief Engineer Kolkata Zone allowed a contractor to use admixture in concrete, on additional payment basis though the contract had already catered to this requirement, in a work for construction of ammunition sheds resulting in extra contractual payment of ₹ 1.25 crore to the contractor.

*(Paragraph 4.4)*

### **Avoidable extra expenditure due to non-acceptance of lowest tenders**

Border Roads Organisation took an unduly long time in processing two cases for finalising tenders within the validity period of the tenders resulting in retendering and acceptance of higher rates involving additional expenditure of ₹ 3.01 crore on works relating to surfacing/pavement of roads in the Northern Command.

*(Paragraph 5.1)*

### **Undue benefit to a supplier**

The Director General Border Roads waived and refunded liquidated damages imposed on a supplier in violation of Defence Procurement Manual without the approval of the Competent Financial Authority, thereby giving undue benefit of ₹ 2.28 crore to the supplier.

(Paragraph 5.2)

### **Avoidable extra expenditure in procurement of stores**

Defence Metallurgical Research Laboratory Hyderabad refloated tenders for procurement of die blocks and die stack parts even as there was enough scope to finalise the L-1 offer within the validity period. This led to an avoidable extra expenditure of ₹ 4.56 crore.

(Paragraph 6.1)

### **Unfruitful investment by Defence Research and Development Organisation**

The injudicious decision of Defence Research and Development Organisation to invest ₹ 3.25 crore in a Central Research Institute at Kolkata for establishing a facility to manufacture and supply the item to achieve self reliance failed to yield the desired results due to non-operation of the plant. However, the entire requirement of the organisation could have been met by spending just 44 *per cent* (₹ 1.43 crore) of the sum (₹ 3.25 crore) actually spent. The expenditure proved unfruitful for the organisation.

(Paragraph 6.2)

### **Performance of Ordnance Factory Organisation**

The Ordnance Factory Organisation comprising of 39 Ordnance Factories with manpower of 98,914 is engaged in production of arms, ammunition, equipment, clothing *etc.* primarily for the Armed Forces of the country. The value of production aggregated to ₹ 14012.11 crore in 2010-11 which was 18.57 *per cent* higher than the value of production of ₹ 11817.89 crore in 2009-10. During 2010-11, however, there was a shortfall of 35 *per cent* (223 items) in achieving the target.

The total revenue expenditure of Ordnance Factory Organisation has increased from ₹ 10812.10 crore in 2009-10 to ₹ 10903.21 crore during 2010-11. Against the allotment of ₹ 600 crore under the Head "Transfer to Renewal/Replacement Fund", Ordnance Factory Board (OFB) drew only ₹ 207.94 crore from the fund to procure plant and machinery.

The OFB reported an increase of total receipts of ₹ 2414.68 crore (26.60 per cent) during 2010-11 over the previous year. However, the total receipt had been inflated by ₹ 2210.48 crore due to incorrect practice of debiting Armed Forces and other indentors for issues without actual physical issue of the items till 31 March 2011. This had enabled OFB to show a surplus of ₹ 587.56 crore during 2010-11. After adjusting the inflated issues of ₹ 2210.48 crore, the actual growth achieved by OFB stood at 2.25 per cent as against 29 per cent claimed by OFB during 2010-11.

(Paragraph 8.1)

### **Delay in production and issue of rockets for Pinaka Rocket Launcher System by Ordnance Factories**

The project for production of rockets for Pinaka multi-barrel rocket launcher system is way behind the schedule. The quality related problems in a production process resulted in a loss of 407 rockets valuing ₹ 44.51 crore and propellant valuing ₹ 4.25 crore. Repeated failures and stoppage of production of the rockets for a certain period, led to overall delay in operationalisation of the Army units as per induction plan.

(Paragraph 8.2)

### **Production of new generation vehicles in Vehicle Factory Jabalpur**

Vehicle Factory Jabalpur which undertook manufacture of two new generation vehicles based on transfer of technology from M/s Ashok Leyland Ltd. (*Stallion*) and M/s Tata Motors Ltd (LPTA) could achieve in-house manufacture of components/assemblies to the extent of only a meagre 17.46 per cent (*Stallion*) and 16.63 per cent (LPTA), as against the objective of achieving in-house production target of 59.04 per cent (*Stallion*) and 51.58 per cent (LPTA). Gross under-utilisation of plant and machinery resulted in trade procurement of components and assemblies aggregating ₹ 498.86 crore during 2008-11.

(Paragraph 8.3)

### **Non-commissioning of a costly machine**

Failure of Heavy Vehicle Factory Avadi to incorporate a specific time schedule for erection and commissioning of a machine imported from Italy, resulted in its non-commissioning, non-accrual of expected annual savings of ₹ 2.96 crore and idle investment of ₹ 20.01 crore.

(Paragraph 8.4)

### **Defective manufacture leading to unserviceability of ammunition**

Ammunition valuing ₹ 6.04 crore manufactured by the Ordnance Factory Khamaria and supplied to the Army during March 2007–November 2008 was declared unserviceable as it caused accidents at the Army Depots/Unit during normal handling.

*(Paragraph 8.5)*

### **Loss due to manufacture of detonators with vintage components**

Ordnance Factory Khamaria manufactured detonators using vintage components supplied by Ammunition Factory Khadki and barium chromate procured from trade, with deviated specifications. It resulted in rejection of detonators costing ₹ 4.64 crore manufactured during January 2008-October 2009.

*(Paragraph 8.6)*

### **Issue of rejected items to the indentors by Ordnance Factories**

Five Ordnance Factories issued sub-standard ammunition valuing ₹ 180.67 crore to the Ministry of Home Affairs, State Police Forces and Central Police Organisations under their self certification in violation of standing instructions meant for ensuring quality controls.

*(Paragraph 8.7)*