

Chapter X: Conclusions

The Performance Audit of OEFG focussed on shortcomings in areas of production planning, procurement, manufacture and issue of GS&C items to the Services, quality control and underutilisation of resources and losses in issues. Fixing of production targets suffered from systemic deficiencies like delayed target fixation meeting, lack of coordination between DGOS and OEF HQ about flow of reliable information of item-wise capacity from factories, fluctuation of targets and their mismatch with capacity of factories. These flaws in the basic planning led to adverse impacts on the chain of activities in a cascading manner.

We also highlighted flouting of procurement norms as well as instructions of the Ministry/OFB by OEFG. This led to over-provisioning of stores, lack of transparency in procurement of stores through LTE at higher rates instead of OTE as well as procurement at higher rates beyond eight *per cent* of LPR, abnormal slippages in placing orders, failure to break the cartel among the vendors.

Shortfalls in production and issue of GS&C items by these factories have been recurring. Even after outsourcing, the issue targets were not entirely met. These factories were yet to gear up their planning and production performance to synchronise with the overall requirements of the Services and paramilitary forces.

The systemic loopholes in deployment of direct IEs not commensurate with the workload and working of machines on single shift led to payment of overtime in a routine manner as well as gross under-utilisation of machine-hours in all the factories. Inadequate quality controls by these factories resulted in significant quantum of RFR cases and final rejections of finished products at quality assurance stage. Persistent consignee end rejections and customers' complaints also highlighted failure of quality control in factories and quality assurance. These shortcomings were not addressed effectively to ensure users' satisfaction and comfort.

Existing pricing mechanism of OFB and ineffective cost control by the factories are also of grave concern as the factories incurred losses in issue of the products to the indentors every year aggregating ₹226.09 crore during 2008-12.

This Report also brings out inadequacies in top level monitoring to the extent that OFB neither addressed the deficiencies in the operations of these factories in their meetings held during 2008-12 nor did it direct the factory managements to take the corrective actions to ensure the efficient operation of these factories.

Viewed from the perspective of the Services and Paramilitary forces' requirements of GS&C items and competitive market scenario, the Ministry, OFB and the factory management should thoroughly review the present style of their functioning so as to overcome the existing deficiencies/drawbacks. There is an urgent need to take proactive action considering the recommendations made in this Report so that the OEEG can function viably and competently to meet the requirements of the indentors with due regard to quality, quantity and timeliness and also to ensure sustainable supply chain management for defence preparedness.

Kolkata
Dated :

(Suparna Deb)
Principal Director of Audit
(Ordnance Factories)

Countersigned

New Delhi
Dated:

(Shashi Kant Sharma)
Comptroller and Auditor General of India