

## CHAPTER II : MINISTRY OF DEFENCE

### 2.1 Working of the Cantonment Boards (CBs)

During the period 2009-10 to 2013-14, none of the test checked 17CBs, except for CB Clement Town, had prepared and implemented Town Planning schemes, plans for economic development and social justice in their respective areas. Moreover none of the CBs provided all the 24 types of services, mandated as per the Cantonments Act, to its residents. Further no Central Government schemes for upliftment of the poor applicable in the CBs and provision of infrastructure facilities were, implemented in the cantonments. The position regarding revenue generation was also not encouraging as the CBs were unable to optimize revenue generation through taxes and non-taxes, leading to their increased dependency on Grant-in-aid from the Ministry of Defence. This was mainly due to non-revision of taxes every five years, recovery of property tax at a lower than the stipulated rate and non-levy of Vehicle Entry Tax *etc.*

#### 2.1.1 Introduction

##### 2.1.1.1 *The Cantonment and Cantonment Boards*

The Cantonments in India are permanent military stations in which troops are being regularly quartered. The cantonment areas are central territories under the Constitution of India, as such civic bodies functioning in these areas are not covered under State Municipal Laws. Therefore the Cantonments Act, 1924 was enacted to make provisions relating to the administration of the cantonments, which was amended by Cantonments Act, 2006 (41 of 2006) (Act). On declaration of any place as a cantonment, the Central Government constitutes for that cantonment, a Board called Cantonment Board (CB), within a period of one year.

There are 62 notified Cantonment Boards (CBs) in the country, located in 19 States and distributed among five Army Commands. On the basis of the population, the CBs are categorized into four categories<sup>9</sup>.

##### 2.1.1.2 *Organisational Structure*

Each CB is headed by a Chief Executive Officer (CEO), who performs the executive functions of the Board and also acts as the Member-Secretary of the Board. He reports to the Director General Defence Estates (DGDE), New Delhi, under the Ministry of Defence (MoD), through Principal Director of Defence Estates (PDDE), posted at each Command HQ of the Army. The CEO is independent of the Army and is the civil executive interface of the civil population.

<sup>9</sup>Category I having population of more than 50000, Category II with population ranging between 10000 and 50000, Category III with population between 2500 and 10000 and Category IV with population of less than 2500.

The Audit of CBs is carried out under Section 14(1) & (2) of the Comptroller and Auditor General's (Duties, Powers, and Conditions of Service) Act, 1971 (C&AG's DPC Act 1971).

Records of 17 CBs<sup>10</sup>, were test checked along with five PDsDE of respective Command Headquarters and the Director General of Defence Estates (DGDE), New Delhi, covering a period from 2009-10 to 2013-14, with the objective to see whether the CBs were able to fulfil their mandate regarding provision of services to its residents and had proper financial and asset management in place. The draft report was issued to the Ministry of Defence in June 2015. Response of the Ministry was yet to be received (August 2015).

## 2.1.2 Audit Findings

The main functions of the CBs are broadly the same as those of the Municipal Bodies. Section 62 of Cantonments Act 2006 stipulates that it shall be the duty of every Board (CB), so far as the funds at its disposal permit, to make reasonable provisions within the cantonment for 24 types of services, as detailed in **Annexure-II**.

### 2.1.2.1 Planning

As per the provisions of the Cantonments Act 2006, the CBs were required to prepare and implement town planning schemes and plans for economic development and social justice in their respective areas. The CBs were also required to prepare perspective development plans for about 15 years and five years development plan for implementation.

Further, DGDE issued instructions (May 2011) to CBs, to formulate and implement proposals to improve civic infrastructure of cantonments and provide quality services to the residents. In case of paucity of funds, the DGDE directed the CBs to submit proposal for sanction of special Grant-in-aid.

We observed that except for CB Clement Town, none of the other test checked CBs had prepared any plans as per the provisions of the Act/directions.

### 2.1.2.2 Non-performance of mandated duties by the CBs

With regard to the performance of the duties mandated in the Act, audit scrutiny revealed that none of the test checked CBs discharged all the 24 duties laid down in the Act. The number of duties discharged by the CBs

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<sup>10</sup>Category-I Meerut (CC), Lucknow (CC), Dehradun (CC), Ramgarh (CC).

Category-II Ahmednagar (SC), Barrackpore (EC), Wellington (SC), Ranikhet (CC), Danapur (CC), Shillong (EC), Clement Town (CC), Khasyol (NC)\*, Pachmarhi (CC).

Category-III Lansdowne (CC), Chakrata (CC).

Category-IV Dalhousie (WC), Jalapahar (EC).

(Due to floods in J&K State during September/October 2014, Audit of CB BadamiBagh could not be carried out. Instead, CB Khasyol was selected for audit).

ranged between three (CB Ranikhet, Central Command) and 22 (CB Clement Town, Central Command).

In response to audit query, the CBs stated that non-performance of duties was mainly due to non-availability of either manpower or funds.

The reply furnished was not acceptable in audit due to following reasons:

- Acute deficiency in the posted strength of manpower in the CBs *viz-a-viz* authorised strength, was not noticed. The posted strength of the test checked CBs, as against their authorised strength, ranged between 59 *per cent* in CB Barrackpore (Cat-II) and 92 *per cent* in CBs Pachmarhi (Cat-II) and Wellington (Cat-II) as indicated in **Annexure-III**. We also observed, that despite manpower shortage of 41 *per cent*, CB Barrackpore discharged 20 duties, whereas CBs Pachmarhi and Wellington with the manpower shortage of eight *per cent* had discharged 16 and eight services respectively.
- No response was received (August 2015) from DGDE to the audit query regarding norms for assessing manpower *viz-a-viz* the services to be delivered by the CBs.
- As regards availability of funds for rendering the mandated services, we observed that there was no deficiency of funds as the test checked CBs failed to utilise the funds allotted to them during the past five years, as discussed in **Para 2.5.3.2**.

### **2.1.2.3 Non-implementation of Central Government schemes**

Under Section 10 of the Act, the CBs were declared as deemed Municipalities in accordance with clause (e) of Article 243-P of the Constitution for the purpose of receiving grants and allocations; or implementing the Central Government schemes of social welfare, public health, hygiene, safety, water supply, sanitation, urban renewal and education to the residents of the cantonment. Following schemes announced by the Central Government were required to be implemented by the CBs:

- Jawaharlal Nehru National Urban Renewal Mission (JNNURM)
- Swarna Jayanti Shahri Rojgar Yojna (SJSRY)
- Rajiv Awas Yojana (RAY)

JNNURM: Government of India, launched (December 2005) Jawaharlal Nehru National Urban Renewal Mission (JNNURM), to encourage reforms and fast track planned development of identified cities.

Scheme provided for 50 *per cent* funds to be provided by the Ministry of Urban Development (MoUD), 30 *per cent* by the State Government and 20 *per cent* by Local Body. As State Governments were reluctant to release funds under the Mission, for infrastructural projects in cantonment areas, the Joint

Secretary Cantonments and Works (JS (C&W)) intimated (March 2010) the Mission Director (JNNURM), that Ministry of Defence was considering funding the share of State Government (30 *per cent*) in addition to 20 *per cent* shared by CBs. However, before making a reference to finance in this regard a confirmation was sought from the MoUD, whether JNNURM funding would become available for CBs.

The Mission Director, JNNURM intimated (April 2010) the JS (C&W), that most of the States had exhausted their allocation and the financing of urban infrastructure in cantonment areas needed to wait till additional allocation was obtained for the Mission. The Rajya Raksha Mantri requested (March 2011) the MoUD to take proactive interest to resolve the issue so that CBs could get benefits of the Mission. Subsequently the Mission Director JNNURM in a meeting (February 2012) stated that the requirements of the CBs would be taken into account by the State Governments while preparing City Development Plan (CDP) for the next phase of JNNURM.

The DGDE informed (May 2014) the Ministry of Defence that the CBs were not included in the JNNURM Phase-I. Scrutiny of the related documents regarding funding for implementation of the scheme revealed, that the issue could not be resolved in the last nine years between DGDE and the MoUD.

The case thus revealed that even though 28 CBs (seven<sup>11</sup> out of which were included in the selected 17 CBs) were found to be eligible for benefits under JNNURM, being co-located with the cities which were covered under the Phase-I of the scheme, yet the residents of the eligible CBs remained deprived of its benefits.

Further, it was also seen that even though the eligible CBs took up the matter with the State Authorities, the Mission could not be implemented due to the following reasons:

- CB Shillong: The CB took up the matter (January 2008) with the Meghalaya Urban Development Authority (MUDA), a Government of Meghalaya undertaking, for inclusion of the area of CB Shillong under their City Development Plan in respect of JNNURM. Government of Meghalaya intimated (July 2008) that the area of CB Shillong had been included in the Detailed Project Report for Water Supply Project and asked the CB to earmark funds for the Project which was about 0.20 *per cent* of the total project cost. CB Shillong requested (December 2009) MUDA to provide a copy of the DPR so that the CB could take up the case for allocation of funds. MUDA intimated (February 2010) that the DPR was prepared by State Public Health Engineering (PHE) Department and the matter be accordingly taken up with them. After a lapse of 20 months, CB Shillong requested (October 2011) the PHE Department to intimate the proportionate cost to be borne by the CB. The Chief Engineer, Public Health Engineering Department intimated (December 2011) that the CB would have to construct zonal reservoir at two locations and to make their own arrangement for distribution of

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<sup>11</sup> Danapur, Lucknow, Meerut, Ramgarh, Shillong, Dehradun and Barrackpore

water within the cantonment area. However we observed that CB Shillong did not prepare any plans for construction of the reservoirs.

In reply (December 2014) the CEO, CB Shillong stated that there was a requirement of construction of two numbers of reservoirs, which would be constructed. It was further stated that presently the CB was supplying 48 litres per capita per day of water to the residents from the existing supply line of PHE.

- CB Danapur: In accordance with the instructions (July 2010) of the DGDE to CB Danapur to prepare CDP under JNNURM, the CB resolved (July 2010) to take necessary action. The CEO CB also met (August 2012) the Secretary, Urban Development and Housing Department, Government of Bihar, wherein it was decided that the authorities of CB and Danapur Municipal Corporation would meet for integration of schemes under JNNURM.

However no further action was taken and the CEO CB in reply stated (December 2014) that no CDP or DPR had been framed/prepared by CB Danapur because of shortage of technical staff with skills and experience required for town planning/sewerage planning *etc.*

- CB Ramgarh: Similarly, PDDE (CC) directed (February 2012) CB Ramgarh to expedite the Cantonment Development Plan for CB Ramgarh and get it integrated with the CDP of Ranchi City for JNNURM Phase-II. Scrutiny of documents at the CB revealed that no progress had been made by the CB for preparation of CDP.

The CEO CB stated (February 2015) that the CB had approached the Urban Development Department of Ranchi and Municipal Corporation who intimated that CB Ramgarh did not fall within the JNNURM scheme. The contention of the Department was not correct as CB Ramgarh was one of the eligible CBs selected by the DGDE for implementation of the scheme.

- CB Barrackpore: The CEO of the CB took up (November 2006) the case with Secretary, Urban Development/Local Self Government, Government of West Bengal for integrating the requirement of CB Barrackpore in the comprehensive urban renewal plan of Kolkata. The PDDE, EC, Kolkata also requested (July 2009) Chief Secretary, Government of West Bengal to instruct Municipal Commissioner Barrackpore to take into account the infrastructural requirement of CB Barrackpore while preparing comprehensive CDP. The CEO CB, forwarded (September 2010), a detailed project report to the Secretary Municipal Affairs Department through Director State Urban Development Authority (SUDA) with the recommendation of Director SUDA, but no response was received (April 2015) by the CB.
- CB Lucknow: CB Lucknow requested (July 2009) the Lucknow Municipal Corporation (LMC) to include the area of CB Lucknow in the Comprehensive City Development Plan of the LMC for

implementation of schemes under JNNURM. The CB was included in the finalised CDP of Lucknow city for infrastructure development such as augmentation of water supply, sewerage, rain water harvesting and solid waste management at a total estimated cost of ₹91.10 crore. Though the CB again requested (December 2010) the LMC to take necessary steps regarding implementation of the said schemes under JNNURM in the CB, the UP Jal Nigam (in-charge of JNNURM) stated (February 2014) that the sewerage scheme in respect of the CB cannot be implemented by them under JNNURM scheme and the expenditure to be incurred on scheme would have to be borne entirely by the CB. The scheme was not implemented in the CB (February 2015).

### **Swarna Jayanti Shahri Rojgar Yojna (SJSRY)**

The scheme sought to provide gainful employment to the under employed and unemployed by encouraging skill development, self-development and also through wage employment for construction of socially and economically useful public assets. The funding pattern under the scheme was 75 per cent from Centre and 25 per cent from State Govt. The Deputy Chairman, Planning Commission intimated (June 2010) the DGDE the benefits of SJSRY to be made applicable to the CBs. Under this scheme the people living Below Poverty Line in the cantonment areas were to be benefitted by giving them the opportunity to enhance their income level.

We observed that the scheme was not implemented in any of the test checked CBs.

### **Rajiv Awas Yojana (RAY)**

In June 2011, Cabinet Committee on Economic Affairs, envisaging a slum-free India, approved RAY to be implemented by 2017, in two phases.

The aim of RAY was to provide financial assistance to the States that were willing to assign property rights to slum dwellers for provision of decent shelter and basic civic and social services for slum redevelopment and for creation of affordable housing stock. 50 per cent cost for provision of these assets including operation and maintenance of the same, was to be borne by the Centre. For the North Eastern and special category States (J&K, HP and Uttrakhand), the share of the Centre was 90 per cent.

The scheme envisaged that in the case, where the land belonged to CB, it was expected that the concerned CB, working in cooperation with State Governments/Urban Local Bodies (ULBs), would design solutions to unlock the land value trapped by encroachment, by redeveloping/relocating the slum with due property rights.

The Secretary, Ministry of Housing and Urban Poverty Alleviation (MoHUPA), while drawing reference to the foremost priority of the Central Government for providing “Housing for All by 2022”, asked (October 2014) MoD to expedite updated information regarding details of land on which

slums were situated. However, the MoD was yet to furnish (January 2015) the updated information as sought for by MoHUPA.

The status regarding implementation of the schemes was called for (September 2014 and March 2015) from DGDE, but no reply was received (August 2015).

#### **2.1.2.4 Non implementation of Solid Waste Management (SWM)**

The Ministry of Environment and Forest, Government of India framed the Municipal and Solid Waste (Management and Handling) Rules 2000 which were applicable to every Municipal authority responsible for collection, segregation, storage, transportation, processing and disposal of municipal solid wastes.

The DGDE, issued instructions (January 2011) to the PDDEs and CEOs of CBs, for implementation of the Municipal and Solid Waste (Management and Handling) Rules. The activities involved in compliance of the said rules included house-to-house collection, segregation of the municipal solid waste into bio-degradable and non-bio-degradable waste, covered transportation, separate storage of bio-degradable/non bio-degradable/recyclable and other wastes separately and also vermin-composting of bio-degradable waste.

Scrutiny of records at DGDE revealed that instructions in this regard were issued by the DGDE to the CBs after the passage of more than 10 years. Further scrutiny of records in the test checked CBs revealed the following:

- Except for CB Lucknow and in civil area of CB Wellington, solid waste management system had not been implemented in any of the test checked CBs.

In reply CEO CB Wellington stated (March 2015) that the proposal for door-to-door garbage collection in the military area was not authorised as per policy.

- Other CBs partially implemented the scheme by carrying out only two activities such as house-to-house collection and dumping the waste in the trenching grounds/landfills.
- The CEO CB Ahmednagar stated (November 2014) that, the proposal for only door-to-door garbage collection had been implemented in civil area and the required concurrence to the proposal for implementation in Army area, was not received (November 2014) from Principal Controller of Defence Account, whose concurrence was required for sanction of the project, being the Integrated Financial Advisor of the Army.
- The CEO, CB Barrackpore stated (April 2015) that liaison had been made with Housing Infrastructure Development Corporation for implementation of solid waste management project in the cantonment area, but the system was yet to be implemented (April 2015).

### 2.1.2.5 *Inadequacy in the water supply service provided by the CBs*

As per Section 62 (x) of the Act, it is the duty of the CB to provide potable and adequate water to its residents for usage.

Scrutiny of the records/information made available by the test checked CBs revealed that CBs Dehradun, Meerut, Lucknow, Ramgarh, Danapur, Dalhousie and Pachmarhi had their own water supply system. In CB Clement Town, water was supplied in the cantonment area directly by Uttarakhand Pay Jal Sansthan. Remaining nine CBs purchased water either from the Military Engineers Services (MES) or from the neighbouring Municipal Corporations for supply to its residents. The details of quantity of water supplied per day per person by the 16 CBs (data in respect of CB Clement town is not available) is given in **Annexure-IV**.

We observed that:

- Only six CBs supplied water to its residents at par with the World Health Organisation norms of 135 litres per capita per day (lpcd) for residential accommodation. The quantity of water supplied by the remaining 10 CBs ranged between 36 lpcd (CB Lansdowne, Cat III) and 95 lpcd (CB Wellington Cat-II).
- Only 12 CBs achieved *cent per cent* piped water supply network coverage. In the balance CBs the percentage of piped water supply network coverage ranged between 28 in CB Ramgarh (Cat-I) and 99 in Lansdowne (Cat-III).
- CB Ahmednagar, to overcome the scarcity of potable water, had dug seven bore wells in February-March 2009 at a cost of ₹4.19 lakh and declared it open to the public without confirming its potability. The potability test of the bore well water was not carried out by the CB as of November 2014. However, the CB stated that the residents had been informed that the bore well water should not be used for drinking purposes.

Thus the water supply being provided by the CBs was inadequate.

### **Avoidable extra expenditure/loss of revenue on purchase of water**

Scrutiny of the records of the test checked CBs revealed following cases of avoidable expenditure/loss of revenue on purchase of water by the CBs.

- To meet the normal water requirement of 1589 kilolitres per day (klpd), CB Ahmednagar was purchasing 1012 klpd from the Military Engineering Service (MES) at commercial rates who in turn got it from the Maharashtra Industrial Development Corporation (MIDC). The MIDC supplied water to the neighbouring Municipal Corporation at domestic rates of ₹7.50 per kl, whereas it charged MES at commercial rates resulting in avoidable extra expenditure of ₹3.19 crore during the period 2009-10 to 2013-14. Though CB took up (June 2003) the matter



with GOC-in-C, SC for release of special Grant-in-aid for executing independent water supply project from MIDC to CB, the same was yet to be sanctioned. In the meantime the project cost had increased from ₹1.20 crore (June 2003) to ₹7.62 crore (January 2013).

- CB Wellington was receiving about 22 lakh litres of water from MES for billing period of two months for supply to its residents. The MES charged ₹16.52 per kilolitre (kl) from April 2009 to December 2012 and ₹41.80 per kl with effect from December 2012. However we observed that the CB charged just ₹7 per kl of water subject to minimum of ₹70 per month for dwelling units with effect from April 2008, resulting in loss of revenue of ₹58.13 lakh during the period from 2009-10 to 2013-14.

On being pointed out, the CEO CB in reply (March 2015) stated that elected members objected the increase of water charges.

#### ***2.1.2.6 Lack of norms for provision of the medical and educational facilities.***

The Cantonments were originally intended to be purely military reserves meant for the troops and their followers. With passage of time, large number of civilians came to reside in the Cantonments. They were encouraged to do so in order to provide amenities to officers, soldiers and retainers of the Army.

As per Section 62 (xiii) and (xiv) of the Cantonments Act 2006, it is the duty of the CB to establish and maintain hospitals and schools.

The medical and educational facilities in the test checked 17 CBs are indicated in the **Annexure-V** and **VI**.

- Scrutiny of the records of these CBs revealed that during the period from 2009-10 to 2013-14, the hospital and school facilities provided by the CBs were not being availed by the Armed Forces residing in the cantonment areas. This was primarily because of the fact that the Armed Forces were no longer dependent on the CBs for such services, as they had come up with their own arrangements to cater to their requirements regarding health care and education.
- Further scrutiny revealed that CB Ramgarh (Cat-I) had a 32 bedded hospital for a population 88781, whereas CB Lucknow (Cat-I) had 44 bedded hospital for a population of 63000. CBs Danapur, Ranikhet, Shillong and Pachmarhi, which are Category-II CBs, did not have a hospital, thus depriving the population of medical facilities whereas CB Ahmednagar (Cat-II) with a comparable population (28986) to CB Danapur (28723) had a 36 bedded hospital. Under category-III, CBs Chakrata and Lansdowne had comparable population of about 5000, but CB Lansdowne had 33 bedded hospital, whereas CB Chakrata had no hospital.

CB Meerut, a category-I CB with a population of 93312, had four Primary Schools and one Intermediate College whereas CB Ramgarh, which is also a category-I CB with a population of 88781, had six Middle Schools and one High School.

CB Danapur, a category-II CB with a population of 28723, had no school, whereas CB Ahmednagar, a category-II CB with a comparable population of 28986, had one Kindergarten, five primary and one High School.

CBs Khasyol and Pachmarhi, category-II CBs, had a comparable population of about 12,000, but CB Khasyol had four Primary Schools and one High School whereas CB Pachmarhi had just one Primary School.

Thus there were no norms/scales regarding provision of medical and educational facilities, as seen in the test checked CBs, which had resulted in disparity in availability of medical facilities with reference to the population of the cantonment.

### 2.1.3 Financial Management

Financial Management involves forecasting the financial requirements, arranging the funds on need basis, making judicious allocation and monitoring the actual expenditure.

The Cantonments Act 2006 empowers the CBs to generate revenue through levy of Taxes/rates/charges in their area with approval of the Central Government. The total revenue of the CBs, can be broadly divided into own source revenues and Grant-in-aid from the Central Government and other Grants from the State Government.

#### 2.1.3.1 Receipts and Expenditure

We observed that the total receipts including Grants-in-aid for the test checked 17 CBs during the five year period of 2009-10 to 2013-14 was ₹1125.41 crore and the expenditure incurred was ₹1015.58 crore as detailed in **Table-10** below:

**Table-10**

(₹ in crore)

Cantonment / Category	Tax receipts	Non-tax receipts	Grants-in- Aid		Total receipts	Total expenditure
			Central	State		
Dehradun/I	39.53	19.72	35.36	1.77	96.38	99.62
Lucknow/I	73.86	43.47	46.44	Nil	163.77	161.06
Meerut/I	110.01	29.10	28.82	0.69	168.62	172.85
Ramgarh/I	16.81	20.88	37.23	1.13	76.05	73.82
Ahmednagar/II	31.77	13.24	23.92	5.77	74.70	60.99
Barrackpore/II	26.98	14.36	23.92	0.07	65.33	48.05
Clement town/II	3.4	13.69	30.11	Nil	47.20	42.97

Danapur/II	4.23	12.77	24.47	Nil	41.47	31.75
Khasyol/II	2.95	6.25	18.04	Nil	27.24	24.52
Panchmarhi/II	8.23	4.88	20.62	0.01	33.74	31.38
Ranikhet/II	7.87	12.74	51.56	2.51	74.68	59.39
Shillong/II	7.27	11.78	20.42	1.12	40.59	22.65
Wellington/II	7.00	14.56	60.06	Nil	81.62	78.53
Chakrata/III	1.78	5.91	42.11	1.28	51.08	35.86
Lansdowne/III	4.03	6.87	33.76	1.46	46.12	39.83
Dalhousie/IV	2.13	4.48	10.20	Nil	16.81	15.25
Jalapahar/IV	1.05	2.71	16.25	Nil	20.01	17.06
Total	348.90	237.41	523.29	15.81	1125.41	1015.58

*Note: Taxes include Service Charges and Non-Taxes include Military Conservancy, interest on investments, and other miscellaneous income*

Analysis of the receipts and expenditure of these test checked CBs revealed that:

- These CBs were mainly dependent on Grant-in-aid, as 48 *per cent* of the total receipts was on account of Grant-in-aid.
- Of the total receipts of ₹1125.41 crore, ₹651.51 crore were utilized on delivery of services which included expenditure of ₹398.82 crore on establishment (61 *per cent*), ₹246.38 crore on maintenance and repairs (38 *per cent*) and ₹6.31 crore on original works (one *per cent*) as detailed in **Annexure-VII**.
- An expenditure of just one *per cent* was on original works, which indicated that no new tangible assets were created by the CBs during the past five years.

### 2.1.3.2 Unrealistic Budget formulation by CBs

CBs on or before the 1<sup>st</sup> day of September each year submit to the GOC-in-C of the respective Command, duly passed by the Board, Budget Estimate (BE) of the receipts (including Grants-in-aid required) to be paid into the Cantonment Fund and of the expenditure to be incurred for the ensuing financial year. The GOC-in-C submits it with his recommendations for the release of Grant-in-aid by the MoD, through Principal Director of Defence Estates (PDDE).

Scrutiny of the Budget Estimates and Annual Accounts of the test checked CBs, for the period 2009-10 to 2013-14, revealed that the Budget Estimates prepared by the CBs, with respect to anticipated expenditure during the year, were unrealistic and there was a disconnect between the amounts projected by the CBs in the Budget Estimates/Revised Estimates, funds allotted by the PDsDE and expenditure actually incurred by the CBs, as indicated in **Annexure- VIII**.

The percentage of actual expenditure incurred by the test checked CBs *viz-à-viz* the anticipated expenditure indicated in the Revised Estimates ranged between:

- 29 per cent (CB Danapur) and 98 per cent (CB Khasyol) during the year 2009-10,
- 33 per cent (CB Danapur) and 102 per cent (CB Khasyol) during the year 2010-11,
- 30 per cent (CB Danapur) and 99 per cent (CB Khasyol) during the year 2011-12,
- 27 per cent (CB Ramgarh) and 107 per cent (CB Khasyol) during the year 2012-13,
- 40 per cent (CB Ramgarh) and 101 per cent (CB Khasyol) during the year 2013-14

Moreover, the CBs could not completely utilise the funds sanctioned by PDsDE for incurring expenditure on various activities of the CBs. The percentage of actual expenditure as against funds allotted, including Grants-in-aid, ranged between:

- 37 per cent (CB Chakrata) and 78 per cent (CB Ahmednagar) during the year 2009-10
- 38 per cent (CB Danapur) and 98 per cent (CB Wellington) during the year 2010-11
- 29 per cent (CB Danapur) and 89 per cent (CB Wellington) during the year 2011-12,
- 26 per cent (CB Ramgarh) and 87 per cent (CB Khasyol) during the year 2012-13,
- 43 per cent (CB Chakrata) and 85 per cent (CB Khasyol) during the year 2013-14.

This indicated that the Budget Estimates prepared by the CBs were unrealistic and in spite the availability of funds, the CBs had failed to utilise the funds for rendering the services.

In reply to the reasons for non-utilisation of funds allotted during the year, the CEOs of CB Ahmednagar and CB Wellington stated (November 2014 and February 2015 respectively) that sanctions were received at the end of the year, however maximum efforts were taken to incur the expenditure as provided, but could not be finalised due to administrative reasons.

However, the fact remained that during the last five years, funds ranging between two to 74 per cent remained unutilised every year in the test checked CBs.

### **2.1.3.3 Certification regarding utilisation of Grant-in-aid by the CBs**

In terms of Rule 212(1) of the General Financial Rules, utilisation certificate regarding the utilisation of the Grant-in-aid received during the year is rendered by the CBs to the DGDE, bringing out utilisation or otherwise of the amount of Grant-in-aid received. Scrutiny of records in the test checked CBs revealed that, though the CBs issued utilisation certificates in respect of Grants-in-aid received, but no separate subsidiary cashbook/accounts were maintained by the CBs for accounting the Grants-in-aid. Consequently we could not verify the correctness of the utilisation certificates issued by the CBs.

No response to the audit query issued (March 2015) regarding reasons for non-maintenance of separate subsidiary cash book/account for Grant-in-aid, was furnished by the DGDE (August 2015).

### **2.1.3.4 Non-sharing of net proceeds of revenue by the State Authorities**

In terms of provision of Article 243 X read with Article 243 Y of Constitution of India and recommendations given by the successive State Finance Commissions, Municipalities of the States had started receiving the share of net proceeds of taxes, tolls, duties and fees levied by the respective States. Besides, Municipalities were also assigned certain taxes, duties and fees. This was apart from the Grant-in-aid given to the Municipal Bodies out of the Consolidated Fund of the States.

CBs had been declared as deemed Municipalities under Section 10 of the Cantonments Act 2006. To enable the CBs also to receive a share of net tax proceeds, as well as other allocations and Grants of the respective State Governments, the DGDE, advised (August 2011) all the PDsDE and CEOs of CBs, to liaise and pursue with the respective State Government officials to convince the State Government for agreeing to such devolution of funds to the CBs. Thereafter, the DGDE took up (January 2013) the matter with the Chief Secretaries of various State Governments to allocate appropriate share of net tax proceeds as well as other allocations and Grants, to the CBs located in the State, on the same pattern as was being followed to allocate financial resources to the Municipalities in the State.

Scrutiny of records of test checked 17CBs revealed that in spite of the DGDE having taken up the matter with the Chief Secretaries of various State Governments and the CBs, except CBs Wellington, Danapur and Ramgarh, also having taken up the matter with the respective State Governments/State Finance Commission, the test checked CBs had not received their share out of the net tax proceeds of respective State Governments and other Grants given by the State Government to Municipalities of the States. However, it was noticed that the Government of NCT of Delhi had accepted the recommendations of the Third Delhi Finance Commission and accordingly accepted transfer of funds to CB Delhi to the tune of 0.07 per cent of net tax proceeds of the Delhi Government for a period of three years apart from education grant received every year.

### **2.1.3.5 Non recovery of service charges from Central Government Departments.**

Section 109 of the Cantonments Act 2006 empowers the CBs to annually recover service charges from the Central or State Government for providing collective municipal services or development work in a cantonment where the Central or State Government properties are situated. The service charges are worked out by the CBs, based on the guidelines issued in this regard by the Central Government or State Government. Scrutiny of records in the DGDE revealed that:

- An amount of ₹10521.39 crore was outstanding (31 March 2014) against the Ministry of Defence on account of arrears of previous years demands raised by the CBs in respect of the Defence properties located within the 62 CBs, out of which an amount of ₹311.00 crore was outstanding in respect of test checked 17 CBs.
- In addition, an amount of ₹40.83 crore was outstanding against two Central Government Organisations viz ₹13.03 crore against Indian Railways in respect of CBs Ramgarh, Meerut and Wellington and ₹27.80 crore against Indian Institute of Sugarcane Research, Lucknow in respect of CB Lucknow.

To an audit query in this regard, the DGDE did not furnish any reply (August 2015). CEO CB Ramgarh stated (April 2015), that in spite of repeated reminders, there was no response from the Railway authorities. CEO CB Wellington stated (February 2015) that the Railways refused to pay the amount stating that most of the buildings were in dilapidated condition except for the railway station.

### **2.1.3.6 Under generation of revenue by the CBs**

As per Section 66 (1) of the Act the Board is empowered to levy a) property tax and b) taxes on trades, professions, callings and employment. It is also empowered to levy taxes imposed by the neighbouring Municipality.

Scrutiny of records in the test checked 17 CBs revealed that the CBs were unable to generate revenue through taxes and non- taxes *etc.* due to following reasons:

- Non-revision of property tax every five years;
- Recovery of property Tax at a lower rate than the stipulated rate.
- Non-levy of Vehicle Entry Tax;

A few illustrative cases noticed in audit are indicated below:

#### **➤ Non-implementation of revised rates of taxes**

As per Section 66 (2) of the Act, the CB may impose any tax which under any enactment for the time being in force may be imposed in any Municipality in

the State in which cantonment is situated provided that the CB shall revise every five years the rates of property tax, taxes on trades, professions, callings and employment taxes.

- Scrutiny of records of the test checked CBs revealed that except for CBs Ranikhet and Dalhousie, none of the other CBs had revised taxes in the past five years.
- CB Dehradun had not revised Property Tax since 1982, CB Lucknow since 1953, CB Meerut since 1941, CB Ramgarh since 1947, CB Ahmednagar since 1990, CB Barrackpore since 2001, CB Clement Town since 1990, CB Danapur since 1998, CB Khasyol since 2009, CB Pachmarhi since 2008, CB Shillong since 1945, CB Chakrata since 1971, CB Lansdowne since 1989 and CB Jalapahar since 1989.
- It was further observed that though CB Ahmednagar had approved (October 2013) revision in the rate of Consolidated Property Tax (CPT) from 20 to 23 *per cent* for the residential properties, but the same was not implemented (November 2014) resulting in loss of revenue of ₹51.17 lakh due to collection of tax at old rates.

In reply, the CEO CB Ahmednagar stated (November 2014) that the proposal regarding revision of tax was referred to PDDE Southern Command for MoD's approval and would be implemented on receipt of the approval.

- CB Shillong resolved (June 2010) to revise the trade and professional tax from a uniform rate of ₹50 (irrespective of the types of trades and professions) to rates ranging between ₹250 and ₹2500 for different trades and professions. The proposal was forwarded (July 2010) to the PDDE, Eastern Command for vetting by the Ministry of Law, Government of India, which was yet to be approved, thus resulting in loss of revenue of ₹17.60 lakh during the period 2011-12 to 2013-14 due to collection of tax at old rates.

In reply, the CEO CB Shillong stated (December 2014), that the proposal for revision of Trade and Profession Tax was forwarded for approval to the higher authority which was still awaited.

Thus though the CBs were empowered to revise the taxes under the Section 66 (2) of the Cantonments Act 2006, the replies indicate that the same was not done and the CBs continued to impose taxes at old rates.

➤ **Unjustified reduction in the Annual Rateable Value (ARV) of properties resulted in under generation of revenue of ₹4.10 crore**

As per Section 73 of the Cantonments Act 2006, the ARV of a property is assessed as one twentieth of the sum of estimated cost of building and land or gross annual rent by the CB. The Consolidated Property Tax (CPT) is levied as a percentage of the ARV, so arrived at. Section 73 (b) of the Act empowers the President CB (PCB) to fix the ARV, in exceptional circumstances, at any less amount which appears to him to be just.

- We observed in CB Ahmednagar that during the assessment years 2004-07 and 2007-10, the President CB (PCB) Ahmednagar had drastically reduced the ARV of all the properties arrived at as per Section 73, without indicating the exceptional circumstances which merited reduction in ARV. As a consequence CB Ahmednagar suffered a revenue loss of ₹3.72 crore on account of less recovery of CPT.

In reply, the CEO CB Ahmednagar (November 2014) stated that as per provisions of Section 76 of the Act, the CB conducted hearing of the objections received and after the discussion with owners of the property, the ARV was fixed but the minutes of the meeting were not prepared.

The reply indicated that there were no records to justify the reduction in the ARV by the PCB.

- In CB Wellington, the President CB, in 139 cases of new constructions, reduced the ARV for the assessment period 2008-2011 without indicating any reasons. As CPT is calculated as a percentage of the ARV, the reduction in ARV resulted in revenue loss of ₹38.12 lakh on account of less recovery of CPT.

In reply, the CEO CB Wellington stated (February 2015) that initial fixation of ARV was done as per the provisions of the Act. The same was reduced as most of residents belonged to lower middle class and had built the houses for self-occupation through bank loans.

The reply was not relevant as taking of bank loans for construction of the self-occupied houses did not entitle the residents for levy of taxes at lower rates.

- In CB Danapur, the ARV in respect of 1743 holdings had been fixed between 0.046 *per cent* and 19.88 *per cent* of the ARV, calculated as per the provisions of Section 73 of the Cantonments Act 2006. Though the CPT was being levied at the maximum limit of 30<sup>12</sup> *per cent* in accordance with the Act, the amount of CPT recovered was very less since the ARV fixed by the CB, itself was very less. The, fixation of ARV on abnormally lower side had resulted in loss of ₹8.44 crore during the period 2009-10 to 2013-14.

In reply, the CEO CB Danapur stated (October 2014) that triennial revision of assessment for the period 2013-16 was in process and efforts were being made to increase the ARV as per the area and value of the area of a house in a particular locality.

➤ **Recovery of property tax at a lesser than the stipulated rate resulted in revenue loss of ₹29.16 lakh in CB Ramgarh**

As per section 68 of the Cantonments Act 2006, the Property Tax is levied on lands and buildings in the Cantonment and consists of not less than 10 *per*

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<sup>12</sup>House Tax-12.5 per cent, Conversancy Tax-4.5 per cent, Water Tax-10 per cent, Light Tax-three per cent



cent and not more than 30 per cent of Annual Rateable Value of lands and buildings.

Scrutiny of records at CB Ramgarh revealed that CPT was being levied at 8.5 per cent instead of the minimum stipulated rate of 10 per cent. It was further observed that though the CB in September 2011 resolved to enhance the rate of property tax from 7.5 to eight per cent of ARV and lighting tax from one per cent to two per cent of ARV, to bring it to the minimum rate of 10 per cent, the same was not implemented and CB continued to recover the CPT at the pre revised rate of 8.5 per cent till 2013-14. This resulted in loss of revenue of ₹29.16 lakh during the period 2009-10 to 2013-14.

➤ **Non-levy/non-revision of Vehicle Entry Fee/Tax (VEF/VET) on entry of vehicles in the Cantonment Area**

Section 67(e) of the Cantonments Act 2006 stipulates that the Board shall charge License Fee on entry of vehicles in Cantonment area.

Scrutiny of the records of the test checked CBs revealed that VEF/VET/Toll Tax had been levied by CBs Dehradun, Lucknow, Meerut, Ahmednagar, Barrackpore, Khasyol, Pachmarhi, Ranikhet, Chakrata and Dalhousie. The remaining seven CBs had not levied this Tax/Fee.

We observed in audit that non-levy and non-revision of Vehicle Entry Tax/License Fee in the cantonment areas by the CBs Danapur, Ramgarh, Ahmednagar and Wellington had resulted in revenue loss of ₹43.15 crore, as detailed below:

- CB Danapur carried out a field survey of vehicles in July 2009 for assessment of the average number of vehicles passing through the cantonment. The data was used to arrive at the estimation of the potential total fee that could be collected by imposition of the Vehicle Entry Fee.

However, levy of VEF was not implemented by the CB resulting in non-generation of revenue to the extent of ₹37.53 crore from August 2009 to March 2014.

The CEO CB Danapur accepted (October 2014) that there was delay in imposing the VEF and levy of the same was in the process of implementation.

- CB Ramgarh, to augment its revenue, resolved (October 2007) to impose license fee on entry of vehicles within the limits of CB Ramgarh. However, the CB had not imposed (February 2015) VEF on entry of vehicles in the cantonment limits.

In reply, the CEO CB Ramgarh stated (February 2015) that the cantonment roads provide only inter connection of all wards/mohallas to National Highway and imposing VEF on Cantonment road would not be economical.

The reply was not tenable as the CB in October 2007 itself had resolved to levy VEF for entry of vehicles within the Cantonment limit.

- CB Ahmednagar decided (February 2007) to impose vehicle entry fee and called tenders for collection of Vehicle Entry Tax at the existing minimum reserve price of ₹3 crore and Vehicle Entry Fee at the minimum reserve price of ₹12 crore. CB Ahmednagar referred (March 2007) the case to PDDE SC for the imposition of VEF instead of Vehicle Entry Tax from April 2007. The CEO CB Ahmednagar recommended (February 2009) to PDDE SC that till introduction of VEF, the existing contract for collection of Vehicle Entry Tax (VET) be continued to avoid loss of revenue to the CB. Accordingly, CB Ahmednagar entered (February 2009) into an agreement with a contractor for collection of VET for the period from 01 April 2009 to 31 March 2010 for an amount of ₹3.56 crore. The contract stipulated a provision that, if VET was not abolished before the expiry of contract, then the contractor will continue with the contract agreement with an increase of 10 *per cent* per year. We observed that neither the decision regarding imposition of VEF was taken by the PDDE SC, nor had the CB implemented the contract condition regarding increase of contracted amount of VET by 10 *per cent* each year. As a result, the CB suffered revenue loss of ₹3.98 crore during 2010-11 to 2013-14.

In reply the CEO, CB Ahmednagar stated (November 2014) that the matter of contract agreement was under litigation and therefore the CB could not take decision in this regard.

Though the matter was under litigation in a Lower Court since June 2010, CB Ahmednagar did not take appropriate action to resolve the issue till date.

- CB Wellington resolved (November 2009) to levy licence fee on the vehicles (VEF) entering in the cantonment limits, at eight entry points, including two entry points on National Highway. The CEO, CB Wellington issued (February/March 2010) tenders for collection of VEF during 2010-11 and the highest bid of ₹41 lakh per annum was considered acceptable. Though a contract agreement was not entered into, but on the written instructions of the CEO, the contractor deposited (March 2010) ₹14.35 lakh on account of 25 *per cent* of the bid amount and security deposit. In the meantime (December 2009) the National Highway Authority of India (NHAI) objected to levy of licence fee on the National Highway. The CEO CB Wellington on request of the Collector, Nilgiris district, asked the contractor (April 2010) to stop the collection of VEF on the National Highway points and to proceed with the collection at other points. The contractor collected the Vehicle Entry Fee at other entry points excluding National Highway during the period April 2010 to March 2012. However there was no collection of VEF since April 2012. We observed that no action had been taken by the CB thereafter, to collect the VEF at other six points within the

cantonment and that the matter regarding imposition of VEF at National Highway was pending with the Ministry resulting in loss of revenue of ₹1.64 crore during the period 2010-11 to 2013-14.

In reply the CEO CB Wellington stated (February 2015) that though the matter for imposition of VEF was placed before the CB in June 2014, no decision was taken by the Board.

➤ **Delay in allotment of Cantonment stalls by CB Wellington**

Scrutiny of records in CB Wellington revealed that there was delay, ranging between 18 to 30 months, in allotment of shops resulting in loss of revenue amounting to ₹77.41 lakh on account of non-realisation of rent.

In reply (March 2015) the CEO CB Wellington simply furnished chronology of events without justifying the delay.

**2.1.3.7 Imprudent utilisation of funds amounting to ₹1.35 crore on maintenance of a State Highway**

The DGDE circulated (December 2005) guidelines for maintenance of roads in the cantonments, including MES roads, on which the public have the right of way. As the guidelines were silent about maintenance of National Highways or State PWD roads passing through the cantonment areas, the PDDE SC requested (December 2006) the DGDE to issue necessary guidelines as to whether the CBs could undertake repairs of such roads within their jurisdiction. We observed that the same were not issued by the DGDE.

Scrutiny of records at CB Ahmednagar revealed that Station Commander, Ahmednagar approved (February 2007) the handing over of 2.2 Km of Jamkhed Road (JK Road), State Highway, from MES to CB Ahmednagar for repairs and maintenance purposes. MES who had been maintaining the said road till then issued a certificate (April 2007) to the effect that MES had no objection in carrying out repairs and maintenance of the said stretch of JK Road by CB Ahmednagar, for the next three years up to April 2010. We observed that though the guidelines for maintenance of State Highways had not been received, but the CB incurred an expenditure of ₹1.35 crore on maintenance (2009-2014) of the said road, which included an expenditure of ₹93.93 lakh for the period 2010-11 to 2013-14, which was beyond the three years period for which the road was handed over to CB by the MES for maintenance.

In reply the CEO CB Ahmednagar stated that the expenditure of ₹93.93 lakh on maintenance of JK Road was incurred on the approval of the Board.

The reply is not acceptable, as no guidelines regarding maintenance of State Highways by the CBs, had been issued by the DGDE. Moreover, decision of the CB to maintain the Highway was not prudent as the CB was dependent on the Grants-in-aid received from MoD, for its functioning.

### **2.1.3.8 Non maintenance of Cantonment Development Fund Account**

Section 119(1) of the Act stipulates that a Cantonment Fund will be formed by every CB into which all sums received by or on behalf of the Board will be credited including balance if any of the Cantonment Fund. Section 119 (2) of the Act stipulates that a separate Cantonment Development Fund shall be operated by the CBs and all sums (i) received from the Central Government or the Government of any State by way of contributions, grants, subsidies or by any other way for the implementation of any specific scheme or for the execution of any specific project (ii) received from any individual or association of individuals by way of gift or deposit; and (iii) raised or borrowed for the execution of specific development projects, is to be credited to the said account. Section 120 of the Act further stipulates that Cantonment Fund and the Cantonment Development Fund shall be kept in separate accounts.

Scrutiny of records in the test checked CBs revealed that only CB Ahmednagar, Wellington Lucknow, Ranikhet, Lansdowne and Pachmarhi had operated a separate Cantonment Development Fund for the said purpose, whereas CBs Ramgarh and Dehradun did not maintain the account though both the CBs had received special Grant-in-aid in the year 2012-13 and 2012-2014 respectively. CBs Shillong, Clement Town, Danapur, Chakrata and Dalhousie did not maintain the account at all.

### **2.1.4 Management of Assets**

The Ministry of Defence (MoD) holds over 17 lakh acres of land out of which about two lakh acres of such lands are situated within the notified cantonments. The lands are of different need based classification and are occupied by the Armed Forces, Central and State Government organisations, civilian population, *etc.* The Defence lands are classified as A1, A2, B1, B2, B3, B4 and C. The management of only Class 'C' land lies with the CBs, which includes acquisition of land and eviction of encroachments from land, by invoking Public Premises Eviction (PPE) Act 1971.

#### **2.1.4.1 Land record management**

One of the important aspects of the land management is related to proper demarcation, verification and periodic survey of the land. Accordingly the Government approved the proposal (February 2011) of the DGDE for Survey, Demarcation and Verification of all Defence lands. The responsibility for the survey, demarcation and verification of lands inside the cantonments was that of the CBs. Further, the CEOs of the CBs were directed to verify the existing records *i.e.*, General Land Register plan (GLR) and GLR entries with actual physical verification and authenticate the same.

- Test checked 17CBs informed that the ground survey work had been completed by the agencies to whom the work was outsourced (M/s Wapcos Ltd, IIT Roorkee, IIT Kharagpur, Gautam Budha Technical University Lucknow, Maulana Azad National Institute of Technology,

Bhopal) but the survey reports were yet to be finalised in respect of CBs Ahmednagar, Meerut, Chakrata, Barrackpore, Danapur, Ramgarh, Shillong, Lucknow, Pachmarhi, Jalapahar, Wellington and Ranikhet.

- The survey of land records was not carried out by CB Khasyol, Dehradun and Clement Town as CB Khasyol had no land and GLRs in respect of CBs Dehradun and Clement Town were maintained by Defence Estate Officer.

In reply, the CEOs CB Ahmednagar and Barrackpore stated (in November 2014 and February 2015 respectively) that action regarding rectification of draft final report was in hand. The CEO CB Ahmednagar further confirmed that the annual verification of its boundaries could not be carried out for the past five years.

Thus the fact remains that verification and authentication of land records of the CBs was yet to be completed.

#### ***2.1.4.2 Delay in computerisation of land records***

As per the directions (August 2006) of Rajya Raksha Mantri, the CBs and Defence Estates Offices were instructed to complete the computerization of land records by March 2007. DGDE intimated (September 2006) the PDsDE, that a software named 'Raksha Bhoomi' had been developed for computerisation of Defence land records.

The test checked CBs reported that the Raksha Bhoomi software had been implemented in all the CBs. However, a test check in CBs Ahmednagar and Wellington revealed that certain errors, pointed out by the two CBs, were yet to be rectified.

Thus, the computerization of land records, which was required to be completed by March 2007, was yet to be completed by these two CBs.

#### ***2.1.4.3 Encroachment of Class 'C' Land under Cantonment Boards***

Each CB is responsible for detection and removal of encroachments on the land vested in it and prompt action is to be taken to remove the same.

Scrutiny of records in the test checked CBs revealed that there were 3184 cases of encroachment of Class 'C' land under the control of CBs Ahmednagar, Wellington (five cases), Meerut, Chakrata, Pachmarhi and Barrackpore, by private parties. It was also observed that there was no land with CB Khasyol and assets of the CB had been created on A-1 Defence land.

- In CB Meerut, out of total 2320 cases (39 cases of less than five year, 87 cases of more than five years, 404 cases more than 10 years and 1790 cases of more than 20 years) of encroachment covering an area of 13.3799 acres of land, 32 cases were sub-judice. In remaining cases no penalty had been imposed by the CB.

- In CB Pachmarhi, there were 525 cases of encroachment covering an area of 11.40 acres of land for the past more than 13-14 years. Though notices under PPE Act 1971 had been issued for eviction of encroachments, no concrete result had been achieved.
- In CB Ahmednagar, Defence land measuring 3655.18 sm, was encroached by 205 (nine cases of less than five years, 14 cases of more than five years, 168 cases more than 10 years and 14 cases more than 20 years) inhabitants from the period 1992 onwards including slum area occupied by 155 dwellers, It was also seen that instead of taking action against the encroachers, a resolution was passed to provide essential civic amenities in slum area.

In reply, the CEO CB Ahmednagar stated that notices were issued to the encroachers to remove the encroachment within 30 days. However in 19 cases the encroachers obtained stay orders. In 31 cases the removal action was pending and in the remaining 155 cases removal action was pending due to political interference.

- In CB Chakrata, it was noticed that CB had been forwarding nil report to the PDDE Lucknow regarding encroachments, though 89 notices had been issued by the CB for removal of encroachments. Reasons for discrepancy called for by audit, had not been received.
- In CB Barrackpore, there were 40 cases (three cases of less than five year, four cases of more than five years, 17 cases more than 10 years and 16 cases of more than 20 years) of encroachment covering an area of 0.2326 acres of land.

In reply CEO CB Barrackpore stated that notices had been issued to the encroachers under PPE Act 1971.

#### **2.1.4.4 Unauthorised constructions**

As per Section 248 of the Act, the Board (CB) may, at any time, by notice in writing, direct the owner, lessee or occupier of any land in the cantonment to stop the erection or re-erection of a building and direct the alteration or demolition, of the building, or any part thereof.

Scrutiny of records in the test checked CBs revealed that there were 9557 cases of unauthorised constructions in CBs Meerut, Lucknow, Pachmarhi, Barrackpore, Ahmednagar, Wellington and Chakrata.

- In CB Meerut, out of total 7822 cases of unauthorised constructions, 1018 cases were outstanding for less than five years, 851 cases for more than five years, 915 cases for more than 10 years and 5038 cases for more than 20 years.

In reply CEO CB Meerut stated that most of the cases were sub-judice and there were no new cases of unauthorised constructions during the past two years.

- In CB Lucknow, total 739 cases of unauthorised constructions were outstanding for more than 20 years. However the CB did not furnish any reply on the status of these cases.
- In CB Barrackpore there were 454 cases of un-authorised constructions spanning between 1983 and 2014.

In reply CEO CB Barrackpore stated that action as per Cantonment Act had been taken.

- In CB Ahmednagar, out of total 259 cases of unauthorised constructions, 48 were outstanding for less than five years, 26 cases for more than five years, 85 cases for more than 10 years and 100 cases of more than 20 years. Out of these cases six had applied for regularisation, 84 cases were sub-judice and in remaining 169 cases, notices had been issued.
- In CB Pachmarhi, total 174 cases of unauthorised constructions were outstanding, of which 16 cases were pending in court and in 158 cases, regularisation of unauthorised constructions had been applied for by the concerned people.
- In CB Wellington, out of total 85 cases of unauthorised constructions, seven were outstanding for less than five years, 49 cases for more than five years, 28 cases for more than 10 years and one case of more than 20 years. Out of these cases, 41 had applied for regularisation and in the remaining 44 cases notices had been issued.
- In CB Chakrata, total 24 cases of unauthorised constructions were pending for more than 20 years and were subjudice. CEO CB Chakrata also confirmed that there were no court cases in respect of unauthorised constructions.

#### ***2.1.4.5 Construction of shops by Ahmednagar CB at a cost of ₹32.40 lakh on B 4 land without the approval for reclassification as class C land***

As per Rule 7 of the Cantonment Land Administration Rules (CLAR) 1937, no alteration in the classification of land which is vested in the Government or in the Board shall be made except by the Central Government or by such other authority as they may empower in this behalf.

Rule 43 (ii) of these Rules stipulates that the management of the land entrusted to the Board shall be subject to the condition that the Board shall have no power to occupy or use the land for the purposes of the Act or for its own purposes without the sanction of the Central Government; but that land required for the aforesaid purposes shall be transferred to class 'C' and vested in the Board by the Central government in accordance with the provisions of CLAR.

We observed that in contravention to these provisions, CB Ahmednagar in September and December 2002 constructed 34 shops on Class 'B-4' land, on self-financing basis, without getting the land re-classified as Class C under the

orders of the competent authority. The construction cost of these shops was ₹32.40 lakh, which was recovered from the allottees.

Subsequently, after more than 11 years since construction of these shops, the CB resolved (February 2014) to submit a proposal to higher authority for reclassification of the said land from Class 'B-4' to Class 'C'. However, we observed (November 2014) that the case was not forwarded to the higher authority.

### **Conclusion**

CBs, having been given the status of Municipalities, provide civic amenities to the personnel residing in the cantonments. No town planning schemes and plans for economic development and social justice were undertaken by any of the CBs. Though, as per the Cantonments Act 2006, every CB was required to provide 24 types of services, none of the test checked CBs were providing all the mandated services. Even, the Central Government schemes, that were in operation in the adjoining municipalities and applicable in the eligible CBs as well, had not been implemented. Further, due to absence of norms for providing medical and educational facilities based on the population, there was a disparity in the kind and strength of hospitals and schools provided in different Cantonments. The Budget Estimates prepared by the CBs were unrealistic and in spite the availability of funds, the CBs had failed to utilise the funds for rendering the services. CBs were unable to generate revenue through taxes and non-taxes due to non-revision of property tax every five years, recovery of property tax at a lower rate than the stipulated rate and non-levy of Vehicle Entry Tax, though the CB were empowered to do so, leading to loss of revenue and increased dependency on Grant-in-aid from the Ministry of Defence. Accumulation in cases of encroachment and unauthorised constructions revealed lack of effective action on the part of CBs to safeguard Government property.



## 2.2 Non-availability of Specialised Parachutes

**Parachutes Special Forces Battalions of Indian Army were not having parachutes for over a decade. The parachute developed by DRDO in 2006 could not be productionised successfully. An expenditure of ₹10.75 crore incurred on its development and production had become unfruitful.**

Combat Free Fall (CFF) Parachutes are authorised for Parachutes (PARA) Special Forces (SF) personnel which are required during highly specialized operations and are vital to the success of the mission. CFF Parachutes had been procured in 1986, through import, with shelf life of 10 years and commissioned out of service in 2002 being no longer operational worthy.

In 2001, against total authorised quantity of 1,031 CFF parachutes Army initiated a proposal to the Ministry of Defence (MoD) for procurement of 410 parachutes under Fast Track Procedure<sup>13</sup> (FTP) through Foreign Military Sale<sup>14</sup> (FMS) route to meet inescapable operational requirement. For the balance quantity of 621 parachutes, a project for development of an indigenised CFF parachute was taken up by ADRDE<sup>15</sup> (DRDO) in March 2003. However, the case for procurement of the parachutes through FMS route was foreclosed in 2006 by MoD suggesting that these parachutes be procured from indigenous sources. Trials of CFF parachutes developed by DRDO were completed between March and November 2006 and found successful. Based on successful development of the same, TOT to manufacture the parachutes was given to Ordnance Parachutes Factory (OPF), Kanpur. The MoD placed Supply Order (SO) in October 2008 on OPF, Kanpur at a total cost of ₹55.35 crore for 700 CFF parachutes. As per SO, OPF, Kanpur was to deliver a pilot sample of 40 parachutes within six to eight months of placement of SO for validation trials, which were to be completed within five months of receipt of sample. Bulk Production Clearance (BPC) was to be given to OPF, Kanpur after successful validation of sample parachutes. Within two months of giving BPC, supply of balance 660 parachutes was to commence at the rate of minimum 50 parachutes per month.

We observed that the pilot samples of 40 parachutes were handed over to Army in April 2010 and the trials conducted between May 2010 and November 2010. The Trial team found a number of shortcomings<sup>16</sup>, which were of serious life threatening implication. Notwithstanding the same BPC was accorded in July 2011 with the condition that initial sets of two consignments of 25 parachutes each would be test checked to confirm quality control before bulk supply. The first 25 CFF parachutes were provided by OPF, Kanpur in August 2014, out of which only seven parachutes passed the validation trials (October 2014). In respect of delivery of another set of 25 parachutes for validation trials, OPF Kanpur stated (November 2014) that

<sup>13</sup> FTP is a procedure to ensure expeditious procurement of urgent operational requirements foreseen as imminent or for a situation in which a crisis emerges without prior warning.

<sup>14</sup> Foreign Military Sales (FMS) is a programme of US department of defence which facilitates sales of U.S. arms, defense equipment, defense services, and military training to foreign governments.

<sup>15</sup> ADRDE – Aerial Delivery Research and Development Establishment, Agra, a DRDO's lab.

<sup>16</sup> Substandard quality of material, waist belt and Tightening straps slipping need more incorporation of cotton yarn ratio in belt, asymmetric stitching and rupturing connectors and rubber bands of poor quality

delivery would be delayed due to limited/non availability of fabric. The same were yet to be delivered (June 2015). Failure of 18 parachutes out of 25 parachutes (75 per cent) in validation trials of pilot consignments raises questions on initial user trials held between March 2006 and November 2006 after development of CFF parachute by DRDO at a cost of ₹2.28 crore. The OPF Kanpur however incurred expenditure of ₹7.97 crore for manufacture of the parachutes which failed in validation trial and not accepted by the user.

Meanwhile in January 2008, Indian Air Force concluded a contract for procurement of C130J30 aircrafts which also included purchase of 600 CFF parachutes under FMS route. Out of this procurement, 400 parachutes were given to Army in January 2013.

The case reveals that despite urgent requirement of CFF parachutes for the troops since 2001, the Ministry neither procured them through FMS route nor through indigenous sources till December 2012. This had resulted in non-availability of parachutes with the Army for immediate operational urgency over a decade. ADRDE and OPF Kanpur could not produce CFF parachutes in 12 years after incurring an expenditure of ₹10.75 crore resulting in shortage of 631 parachutes (61 per cent) with the Army.

The case was referred to the Ministry in March 2015; their reply was awaited. (September 2015).

### 2.3 Short recovery of interest on mobilisation advance

**Mobilization advance, paid to contractors, contained interest at two different rates. However, the order in which the advance was to be recovered was not specified. Due to non-recovery of first ten per cent of the amount in the first instance, there was short recovery of interest of ₹1.06 crore in respect of 10 contracts pertaining to Director General, Married Accommodation Projects. Further, though the mobilization advance was to be utilised within five months and failing which, the Bank Guarantee furnished by the contractor was to be encashed, Bank Guarantee was not encashed in the contracts pertaining to Director General, Married Accommodation Projects though the advance was not utilised within the prescribed period.**

Director General, Married Accommodation Projects enters into contracts with contractors for execution of various works. Clause 26.1 and 27.1 of Special Conditions of Contract stipulates that mobilization advance upto 15 per cent of the contract amount shall be given to the contractor if he so desires and on specific written request on production of a non-revocable Bank Guarantee. The rate of interest shall be eight per cent per annum simple interest for mobilization advance upto 10 per cent of the contract amount and 10 per cent per annum simple interest for the balance five per cent mobilization advance. Clause 26.2 and 27.2 stipulated that mobilization advance shall be given in one instalment and shall be paid to the contractor within 30 days of acceptance of bank guarantee for corresponding amount. Audit observed the following:

**I. Non-specifying the order of recovery of interest in the Contract**

As stated above, mobilization advance carried simple interest at the rate of eight *per cent* per annum for advance upto 10*per cent* of the contract amount and 10*per cent* per annum for the balance five *per cent*. However, the contract did not specify the order in which the interest was to be recovered. Audit contends that since the conditions stipulate rate of interest for the 10*per cent* of the contract amount first, this should be recovered first and balance amount of mobilization advance recovered after the recovery of 10*per cent* of the contract amount. Due to non-recovery of 10*per cent* of the contract amount first, there was a short recovery of interest amounting to ₹1.06 crore in 10 contracts pertaining to Director General, Married Accommodation Project reviewed by Audit as detailed in **Table-11** below:

**Table-11***(₹in crore)*

Sl. No	Contract Reference	Contractor	Contract Amount	Mobilization Advance Paid	Interest to be recovered	Interest recovered	Difference
1	DGMAP/PHASE -II/PKG 24/21 of 2010-11	M/s Omaxe Infrastructure and Construction Limited, New Delhi	99.41	14.91	1.54	1.45	0.09
2	DGMAP/PHASE -II/PKG 24/21 of 2010-11	M/s Omaxe Infrastructure and Construction Limited, New Delhi	36.45	5.47	0.60	0.56	0.04
3	DGMAP/PHASE -II/PKG 23/A/15 of 2010-11	M/s DSC Limited, Gurgaon	94.82	14.22	1.41	1.20	0.21
4	DGMAP/PHASE -II/PKG 23/A/15 of 2010-11	M/s DSC Limited, Gurgaon	14.08	2.11	0.15	0.13	0.02
5	DGMAP/PHASE -II/PKG 22/JODH (A)/18 of 2010-11	M/s Indu Projects Limited, Hyderabad	121.94	18.29	1.66	1.51	0.15
6	DGMAP/PHASE -II/PKG 37/17 of 2010-11	M/s GVR Infra Projects Limited, Chennai	47.62	7.14	0.70	0.66	0.04
7	DGMAP/PHASE -II/PKG 37/17 of 2010-11	M/s GVR Infra Projects Limited, Chennai	14.45	2.17	0.21	0.20	0.01
8	DGMAP/PHASE -II/PKG 37/17 of 2010-11	M/s GVR Infra Projects Limited, Chennai	28.52	4.28	0.41	0.39	0.02
9	DGMAP/PHASE -II/PKG 21/01/02 of 2010-11	M/s Apex Econ Projects, New Delhi	127.51	19.13	2.01	1.83	0.18

Sl. No	Contract Reference	Contractor	Contract Amount	Mobilization Advance Paid	Interest to be recovered	Interest recovered	Difference
10	DGMAP/PHASE-II/PKG 36NAVY/16 of 2009-10	M/s Nagrjuna Construction Company, Hyderabad	301.26	45.19	3.80	3.50	0.30
					<b>12.49</b>	<b>11.43</b>	<b>1.06</b>

Controller of Defence Accounts (CDA), Secunderabad and Principal CDA, Pune replied (August 2013/November 2013) that it was not mentioned as to which amount was to be recovered first.

The reply is not acceptable since the conditions stipulate the rate of eight *per cent* for the amount equivalent to 10*per cent* of the contract amount and 10*per cent* for the balance amount thereby implying the amount for which eight *per cent* rate of interest was applicable should be liquidated first.

## II. Non-encashment of Bank Guarantee for failure to utilise the Mobilization Advance within the time stipulated in the contract

As per Clause 27.8 Special Conditions of Contract, the mobilization advance would be utilised within a period of five months from date of payment of advance and in case mobilization advance was not being used for the purpose intended, Director General could encash the bank guarantee submitted against the mobilization advance. Audit observed that in the following four contracts (**Table-12**), the Mobilization Advance was not utilised within the stipulated period of five months:

**Table-12**

(₹ in crore)

Sl. No.	Contract Reference	Contract Amount	Advance	Date of Payment	Work done after five months after payment of Mobilisation Advance
1)	DGMAP/PHASE-II/PKG 24/21 of 2010-11	99.41	14.91	02-May-11	3.96
2)	DGMAP/PHASE-II/PKG 24/21 of 2010-11	36.45	5.47	19-Apr-11	1.01
3)	DGMAP/PHASE-II/PKG 23/A/15 of 2010-11	94.82	14.22	22-Mar-11	7.94
4)	DGMAP/PHASE-II/PKG 23/A/15 of 2010-11	14.08	2.11	22-Mar-11	0.52

However, the bank guarantee furnished was not encashed though the advance was not utilised within the stipulated period. Non-encashment of bank guarantee resulted in the amounts lying with the contractors thereby resulting in undue benefit.

PCDA, Pune stated (November 2013) that since the bank account showing the utilisation of advance was not being submitted by the contractors to their

office, the responsibility to ensure proper utilisation of advance rests with Project Managers/DG, MAP.

The reply is not acceptable since PCDA, Pune was to insist and ensure that bank account details of advance paid was enclosed to each RAR and ensure that interests of the Government money was safeguarded. The fact remains that non-encashment of the bank guarantee despite failure to utilise the advance resulted in the funds remaining with the contractors which tantamount to undue benefit to contractors.

The matter was referred to Ministry in June 2015; their reply is awaited (September 2015).