CHAPTER II : MINISTRY OF DEFENCE

2.1 Functioning of Director General Resettlement (DGR)

Director General Resettlement (DGR) was formed with the aim of empowering retiring/retired service personnel with additional skills through training and further assisting them in choosing second career through employment/self employment schemes. We however observed that DGR was not able to meet these objectives in re-employing or rehabilitating the ex-servicemen and thereby expectations of nearly 60,000 service personnel retiring each year could not be fully met. After incurring an expenditure of ₹90.98 crore on training during last five years, there was no mechanism in place to ensure that the trained personnel could eventually find re-employment. The existing employment and self employment schemes being run by DGR were more than 10 years old and had therefore lost their effectiveness in the changing work environment. We found no fresh employment or self employment schemes were introduced in the last ten years.

2.1.1 About DGR

The Department of Ex-Servicemen Welfare (ESW/Ministry), headed by Secretary, was created in September 2004, under Ministry of Defence (MoD) and three organizations i.e. Directorate General Resettlement (DGR), Ex-Servicemen Contributory Health Scheme (ECHS) and Kendriya Sainik Board[4] (KSB) were placed under this department. In January 2009, KSB, which was earlier under the administrative control of DGR, became a separate entity.

Nearly 60,000 armed forces personnel retire or are released from active service every year, most of them being in the comparatively younger age bracket of 35 to 45 years and 50 to 55 years on the higher side and they require a second career. These personnel constitute a very valuable disciplined, well-trained and dedicated talented pool which should be utilized for nation building.

The role of DGR is to empower retiring/retired service personnel with additional skills through training courses and assist them in choosing second career through employment/self employment schemes, to liaise with Corporate/Private Sector for seeking greater employment opportunities for Ex-Servicemen (ESM) and act as the interface between retired service personnel, dependents and the outside environment for resettlement/second career.

[4] KSB is an apex body of the Govt of India, under Hon'ble Raksha Mantri, which formulates policies for resettlement and welfare of ESM and their families. The Rajya & Zila Sainik Boards, are the field units of KSB.

2.1.2 Organization setup

The DGR headed by the Director General (Resettlement), who is of the rank of Lt. General or equivalent. There are five Directors Resettlement Zone (DRZ) under DGR each stationed at Lucknow (Central Command), Pune (Southern Command), Chandimandir (Western Command), Kolkata (Eastern Command) and Udhampur (Northern Command). Organization of DGR at New Delhi has eight directorates (Dte) *viz.* Training Directorate, Employment Dte, Self Employment Dte, Entrepreneur & Loans Dte, Statistics & Records Dte, Publicity, Information Technology and Administration & Coordination each headed by a Director and having designated roles and responsibilities. The role of each Dte is explained in **Annexure-II**.

2.1.3 Scope of audit and audit methodology

Performance review of DGR for the period 2010-11 to 2014-15 was carried out between May 2015 and September 2015, including two Director Resettlement Zones (DRZ) located at Lucknow and Pune. We examined proposals of training institutes/courses covering 30 *per cent* of the expenditure on training. We also examined eight[5] Schemes (73 *per cent*) out of eleven[6] for employment/self employment of the ESM. The review was commenced with an Entry Conference held on 25 May 2015 with Secretary, ESW, MoD explaining, *inter alia,* the objectives, scope and methodology of the audit. During the course of audit, we issued preliminary audit memos, seeking response of the audited entity. The audit was culminated with an Exit Conference, held on 12th January 2016 with the Secretary ESW.

2.1.4 Audit objectives

The Performance review was conducted with a view to assess whether:

- effective procedure for registration of retiring/retired personnel existed and the names were sponsored efficiently for trainings/schemes;
- the selection of courses for training were realistically done and screening /shortlisting / selection of institutes for training was done in a clear, fair and effective manner;
- adequate inspection of training institutes was carried out before their selection and during currency of the course;

[5] Allotment of Army Surplus Class V 'B' Vehicles to ESM/Widows/ Cooperative Societies of ESM, Coal Loading and Transportation Scheme, Security Agency Scheme, Oil Products Agencies/LPG Distributorship Scheme, Compressed Natural Gas Outlet Manager Scheme, Company Owned Company Operated (COCO) Retail Outlet Scheme, Mother Dairy scheme and Gopalji Dairy & Fresh Farm Scheme

[6] Entrepreneurship Scheme for ESM, Insurance an Assurance : Guaranteeing most favoured Status and Desh Rakshak Dealership Resettlement Scheme

- the DGR was able to achieve their aim and objectives as per mandate;
- DGR liaised with Corporate / Private Sector to see greater employment opportunities for ESM;
- various schemes for Retired Officers/PBORs were monitored efficiently;
- the funds available for welfare of ESM were managed economically and efficiently;

2.1.5 Acknowledgement

We acknowledge the cooperation of officers and staff of the Department of ESW, MoD, DGR and DRZs at Lucknow and Pune.

Audit Findings

2.1.6. Training

DGR organizes training for retiring armed forces personnel (Officers during last one year of service and Personnel Below Officers Rank during the last two years of service), Ex-Servicemen **(**ESM) (Retired/released Officers within three years and retired/released Personnel Below Officers Rank within five years of release/retirement or up to the age of 60 years whichever is earlier) and widows/wards of deceased personnel through various Government/Semi Government Institutes and other reputed Institutes to enhance their qualifications and enable them to seek suitable second career/employment after retirement. The training is also organized by DGR through institutes at Regimental Centres (RC) for Personnel Below Officers Ranks (PBORs) on Pension Drill (*i.e*. PBOR report to RC one month preceding retirement to complete their pension papers).

2.1.6.1 Registration / Sponsoring of names for training

The procedure for registration and sponsoring of names for training was enumerated by the Ministry in its guidelines issued in September 2009. As per this procedure the names of willing Serving Officers/Personnel Below Officer Rank (PBORs), as per their eligibility, are forwarded for training to the DGR by the respective Service HQ, whereas, the retired Officers/PBORs submit their applications directly to DGR through Zila Sainik Board (ZSB). On receipt of the sponsored names of Serving Officers/PBORs from Service HQ, the final selection is to be done by the Committee consisting representative of MoD, DGR and the three Services.

We observed that:

- Contrary to the guidelines issued by the Ministry, no committee was constituted for final selection of trainees during last five years *i.e*. 2010-11 to 2014-15. In absence of the committee, screening of candidates was not being done and all the names sponsored by Service HQ were considered for training.

- The guidelines did not lay down the qualifying requirements to be looked into by the Service HQs for accepting the requests received from Officers/PBORs. Service HQs therefore selected trainees without any criteria and allocated courses to them arbitrarily.

- In respect of ESM, no record for number of applications received, numbers of ESM deployed for training and actually undertaking training was maintained by DGR. In the absence of any documentation there was no trail to assess the implementation of the scheme.

The Ministry, in its reply (February 2016), admitted the points for compliance and stated that owing to large number of applications for training i.e. approximately 24,000 per annum, the activity of short listing of candidates was delegated to Service HQs. The practice of delegating such activity was not only in contravention to laid down procedure but also carried the risk of subjectivity, as no qualifying criteria was laid down in the guidelines for the Service HQs to shortlist the candidates. The Ministry, however, accepted the need for forming a committee with participation of Service HQs on quarterly basis. In regards to non-maintenance of record of ESM, it was stated that necessary instructions were being issued for forwarding all documents by RSBs/ZSBs.

2.1.6.2 Selection of Courses/Institutes for Training

As per ESW's guidelines of September 2009, the DGR will each year, invite Expression of Interest (EOI) from the interested institutes based on eligibility criteria such as affiliation/accreditation, infrastructure, computer lab, faculty, registration, PAN/TAN/audited accounts, website, *etc.* through newspapers/website. On submission of such application the concerned institutes would make a presentation before a Committee consisting of MoD representative, DGR and the representatives of three Services. Thereafter, a Board of Officers (BoO) selects the institutes based on various parameters such as proximity to defence establishment, domain specialization, geographical spread of the institute, *etc*. along with courses and course fee for which approval of the Ministry is obtained. On approval, DGR publishes Resettlement Training Programme Booklet (RTP Booklet) annually, bringing out details of courses, duration, *etc.* and circulate the same to the Services. Further, an agreement is entered into by the DGR with the selected institute specifying *inter alia* the name of the course, duration of the course, number of participants, course fees, *etc*.

We noticed that against the EoIs invited by DGR for the years 2010-11 to 2014-15, total 1328 proposals including willingness from IIMs were received from training institutes.

Out of the 1328 proposals received, we examined 175 proposals (120 proposals containing 334 courses of selected institutes and 55 proposals of rejected institutes) and found that:

- Out of 120 selected institutes, 28 institutes did not have affiliation and four of these institutes namely National Security Training Institute, New Delhi, Indian Institute of Logistics, Chennai, Jay Cee Aviation Services (P) Ltd, New Delhi & APTECH Computer Education, Secunderabad were not even registered as per the documents made available to audit. As such these institutes did not fulfil the eligibility criteria laid down in the EOI. The certificates issued by these unregistered institutes would therefore not provide any gainful employment to the Service Personnel as the courses/institutes were not registered / affiliated to recognized bodies.

- Out of 55 rejected institutes we found that 12 institutes (22 *per cent*) were rejected despite fulfilling the eligibility criteria as laid down in the EoI. No reason for rejection of the Institutes had been given by the Board of Officers, except for the year 2010-11.

- Despite a system in place to gauge the performance of the institutes by inviting them for presentation before the Board prior to their selection, no such presentation was called for by DGR or offered by the selected 120 institutes.

- Out of 334 courses pertaining to 120 sampled Institutes, in 39 courses the turn-out of trainees was 10 *per cent* and below of the total vacancies, which shows that these courses were improperly selected.

- No guidelines exist for determination of course fees by the Board of Officers. The course fee was decided based on previous years' rates and without any basis or norms.

- In 56 out of 334 courses conducted during the last five years, an amount of ₹3.2 crore was paid to the Institutes without entering into any agreement.

The Ministry, in reply (February 2016) stated that the institutes whose proposals were received timely in response to the EOI are only being considered in the BoO. In regards to acceptance of proposals from ineligible institutes, it was stated that the corrective measures were already taken from the training year 2014-15 onwards, wherein such instances were brought down to nil. Further, ESW proposed that the need for making presentations be sought only from new shortlisted institutes before its final empanelment. In regards to determination of course fees, ESW stated that fee structure given by National Skill Development Council (NSDC) will be made applicable with an increment of 10 *per cent* every 3 years. The decision of cancellation of courses would be taken only after obtaining due approval of ESW. Further, it was stated that to avoid poor attendance of trainees, the issue would be discussed with three Services during the joint meeting like Principal Personnel Officers' Committee (PPOC). It was also stated that the some of the agreements were in the possession of Service tax department for verification, which is in the process of recovering.

The reply was not acceptable as, the need for making a presentation by the institutes to a Board before its selection was specifically laid down in the guidelines issued by the Ministry. The BoO also failed to objectively ensure the fulfilment of eligibility criteria of the institutes. No reason for rejection of 12 institutes, which fulfil the eligibility criteria had been furnished. As such selection of training institutes was not done in a clear, fair and effective manner and selection of courses was not totally need based defeating the very purpose of imparting training for resettlement, which resulted in poor attendance and even cancellation of courses.

2.1.6.3 Delay in implementation of Review Committee's recommendations

Service Units/Formations co-located with the institutes, DRZs and Service HQs had intermittently given feedback that there was a gap between the selected training courses and the skills required by the industry resulting in very few candidates getting benefitted in gainful employment. Doubt on the quality and credibility of the training institutes was also raised. Based on this feedback, a need for review of training courses and criteria for selection of training institutes in consultation with Service HQs and representatives of Industry, in order to improve quality of resettlement training leading to better/assured placement to retiring personnel was felt. A review committee, headed by DGR, was accordingly convened under the orders of RRM in August 2012.The Committee submitted its report to ESW in December 2012, which recommended various measures for selection of institutes and courses mainly as under:

(a) Security courses should be suspended till adequate number of training Institutes certified by Security Knowledge and Skill Development Council (SKSDC) are available for conduct of such training. These security courses at Regimental Centres may be replaced by Soft Skill Development Courses, certified computer courses and any other suitable courses as an interim measure. Courses at regimental centre be de-linked from discharge drill.

(b) Need to have service specific courses.

(c) The 67 courses approved by ESW in May 2006 be cancelled.

We observed that:

- ❖ The report was pending with the Service HQ even after lapse of three years, which led to non-implementation of the committee’s recommendations for conducting placement oriented courses and non-delinking of the courses at Regimental Centres from discharge drill.

- ❖ The training programme continued to be run without job orientation. Against the spirit of the committee's recommendations about cancellation of 67 unwarranted courses, the DGR conducted 11 such courses during the years 2013-14 and 2014-15 by incurring an expenditure of ₹ 5.41 crore, which was not justified.

The Ministry, in its reply (February 2016) stated that the most of the recommendations as given by the Committee were being considered by the BoO, however, certain issues have been referred to the three Service HQs for deliberations. The Ministry**,** however, did not provide any detail in this regards. In regard to unfruitful expenditure on unwarranted courses valuing ₹5.41 crore, it was stated by DGR that the courses which were recommended for deletion, were courses meant for ESM only, which were run at ZSBs and not for retiring/retired service personnel and the same should not be clubbed.

The fact remains that despite adverse feedback from the Services about the gaps in the training, the report of the Review Committee submitted in December 2012 was yet (February 2016) to be approved by the Ministry. Further 11 courses, which were conducted despite the recommendations of the committee, did not provide much opportunities for re-employment and thus the expenditure of ₹5.41 crore on these courses was unwarranted.

2.1.7 Monitoring of Training

The mandate of Director Resettlement Zones (DRZs) is to inspect the training institutes before their selection and during currency of the course so as to keep a check regarding adequacy of infrastructure and training faculty, quality of training, attendance of participants, *etc*.

2.1.7.1. Irregularities in furnishing of Nominal Rolls and attendance of participants

As per the agreements entered between the DGR and training institutions, the Institutes are required to forward the details of participants/trainees attending course within first week of commencement of course to DGR. Further, an attendance register was required to be maintained and a photocopy of the same forwarded to the Training Dte at the end of the course along with the bill.

We observed that

- In disregard to the above condition, no institute was forwarding the details of trainees attending the course to the DGR in time. The latter came to know about the actual number of trainees only after completion of training and on receipt of bills. Thus, the lack of basic input about the actual number of trainees reporting in institutes is suggestive of absence of monitoring.

- As per the agreement, an attendance register was to be maintained for the trainees, which should be attached with the bill of the Institute. We found that there was no uniformity for marking attendance of trainees. Out of 334 payment cases in respect of 120 selected institutes, attendance was marked with signature of trainees in 165 cases, as 'P' in 141 cases and in 28 cases no attendance sheet was attached. In the absence of proper attendance sheet and without having signature of the trainees, the actual attendance of the participants during the entire period of course could not be established.

- During audit at DRZ Lucknow, random inspection of an Institute conducting two courses was carried out by Audit in the presence of Officers of DRZ. It was found that in one course, 05 trainees were present out of 30 detailed (07 reported) and in the other course 05 trainees were present out of 30 (14 reported). The absentee position not only defeats the very purpose of imparting training to ESM but may also lead to irregular claims by the institutes for period of absence of trainees.

The Ministry while admitting the facts (February 2016) have assured compliance of audit points, which would be awaited.

2.1.7.2 Lack of Inspection of Institutes/Courses by Director Resettlement Zones

The mandate of Director Resettlement Zones (DRZs) is to inspect the training institutes before their selection and during currency of the course so as to keep a check regarding adequacy of infrastructure and training faculty, quality of training, attendance of participants, *etc*.

DRZ Lucknow covers 7 States and DRZ Pune covers 9 States and 2 Union Territory. The details of courses planned and inspection carried out by DRZ Lucknow and Pune as shown in **Table-9** below:

Table-9: Courses planned and inspection carried out by DRZ Lucknow and Pune

FY	DRZ Lucknow			DRZ Pune		
	Courses planned at Institutes	Inspection of courses conducted	% of inspection of courses conducted	Courses planned at Institutes	Inspection of courses conducted	% of inspection of courses conducted
2010-11	Not Avbl	-	-	12	7	58%
2011-12	Not Avbl	-	-	69	10	15%
2012-13	65	12	18%	91	11	12%
2013-14	71	27	38%	132	14	11%
2014-15	69	10	15%	130	22	16%
Total	205	49	24%	434	64	15%

We observed that:

- ❖ The inspection of institutes, before selection and during currency of the course, was not being regularly done by DRZs. Out of 120 selected institutes, inspection of only 16 institutes was done before their selection. Due to non-inspection of institutes during currency of courses, adequate infrastructure and training faculty, quality of training and punctuality of trainees was not ensured.

- ❖ Records of the two DRZs *i.e*. Lucknow and Pune revealed that on an average 24 *per cent* and 15 *per cent* institutes respectively were inspected during the last five years.

- ❖ No guidelines were issued either by the ESW or DGR as to how and under what mechanism the Inspection of Training Institutes would be conducted.

The Ministry, in its reply (February 2016), while admitting the fact regarding inspection of institutes / courses by DRZs, stated that the mechanisms for inspection of institutes by DRZs and the guidelines on the subject would further be strengthened and improved by including RSBs/ZSBs and Command HQs, which would be awaited.

Thus in the absence of inspection there were no checks on the institutes about the quality of training being imparted to the ESM, actual number of trainees benefitted from it and genuineness of the claims of institutes regarding the attendance of trainees.

2.1.7.3 Training of Ex-Servicemen (Personnel Below Officers Rank) at Zila Sainik Boards

DGR also conducts training for ESM (PBORs) at ZSB. In May 2006, DGR, formulated and circulated the revised ESM Training Policy to all RSBs/ZSBs. As per the policy, Schedule of Training (SoT), showing the details of courses planned, institute where course would be conducted and duration of course, *etc*, is required to be forwarded by RSB/ZSB to DGR for approval.

For carrying out training through Institutes, each year DGR sub-allots funds to RSBs/ZSBs out of the funds received from Directorate General of Financial Planning (DGFP). An amount of ₹2.71 crore was allotted by DGR during 2010-11 to 2014-15 to RSBs/ZSBs, against which ₹28.8 lakhs only were expended for conducting 58 training courses for 566 ESM by Zila Sainik Board, and ₹ 2.42 crore was surrendered to DGR.

We observed that:

- Contrary to training Policy, details of institutes, courses to be conducted during the year, *etc*. were not forwarded to DGR by the RSBs/ZSBs, which had resulted in excess allotment of ₹ 2.42 crore to the RSB/ZSB by DGR and consequently surrendered during the years 2010-11 to 2014-15.

The Ministry, in its reply (February 2016), while admitting the fact of excess allotment of funds to RSBs/ZSBs, stated that the point is noted and the procedure would be streamlined for compliance.

2.1.7.4 Placement of Ex-Servicemen Trainees

The role of DGR is to empower retiring/retired service personnel with additional skills through training courses and assist them in choosing second career through employment/self-employment schemes and liaise with Corporate/Private Sector to seek greater employment opportunities for ESM and act as the interface between retired service personnel, dependents and the outside environment for resettlement/second career.

Each year, Officers ranging between 2000-2500, and JCO/ORs ranging between 47,000-60,000, retire from the Services totalling to 2,80,147 during last five years. Training to 1,17,313 personnel was imparted by DGR and ZSBs after incurring an expenditure of ₹ 90.98 crore. Out of total 1423 ESM trained, 566 ESMs were trained at Zila Sainik Board (ZSB) with an expenditure of ₹29 lakh. The number of Officers/JCOs/ORs and ESM trained during the last five years is shown in **Table-10** below:

Table-10: Number of Officers/JCOs/ORs trained

Year	Officers	JCO/ORs	ESM	Total
2010-11	754	17743	843	19340
2011-12	863	22577	269	23709
2012-13	748	20740	95	21583
2013-14	562	21991	175	22728
2014-15	**616**	29296	41	29953
Total	**3,543**	**1,12,347**	**1,423**	**1,17,313**

(Date compiled from DGR records)

We observed that there DGR had instituted no mechanism to find out the number of trained personnel who were successfully placed for employment. No records were being maintained to assess the job placement for the trained personnel. In the absence of such monitoring, fulfilment of desired objective and mandate of DGR to train the Defence Personnel for smooth transition towards second career is not established. This is attributable to the fact that no system is in place with DGR to liaise with the Corporate Sector or incorporate a clause in the agreement with the Institute for job placement assistance to the trained ESM. Thus, the purpose for spending money (₹90.98 crore) on training could not be ensured.

The Ministry, in its reply (February 2016), while admitting the fact regarding monitoring of placement, stated that the shortcomings were identified almost two years back and corrective measures were being taken. To address the issue, placement assistance for a period of two years would be provided by all institutes empanelled since 2014 and a six monthly report be obtained there from. Further, a Placement Assurance Training (PAT), a pilot project has been initiated. MoU with Confederation of Indian Industry (CII) had been signed for enhancing placement opportunities and interaction with Corporate World. The fact remains that proper corrective measures and placement assistance are yet (February 2016) to be implemented and only three PAT courses were conducted during 2015-16.

A. Delay in conducting Placement Assurance Training (PAT)

In October 2012, DGR mooted a proposal to the ESW regarding PAT, which emanated from a suggestion of Advisor to Hon'ble Prime Minister, for a Pilot Project on 'Specialized Placement Assured Training courses for ESM for the year 2013-14 to give minimum 70 *per cent* placement to ESM who attended any training programmes being conducted by DGR. The idea behind such type of courses was to focus more on job oriented training for a limited duration. For this purpose, the training organizations were also to be incentivized to ensure placement of ESM. The Hon'ble RRM gave the approval for PAT in July 2013.

We observed that the DGR in September 2013 invited Expression of Interest (EOI) for PAT but the matter remained shuttling between DGR and ESW for deciding the courses. After 24 months DGR selected/planned three courses to be conducted between July and December 2015 with the condition that the institute guarantees job placement of 50 *per cent* and above of the trainees.

Thus, no initiative was taken by the ESW/DGR to conduct PAT and after its approval in July 2013, such courses were planned to be conducted after a delay of two years depriving the ESM of job guarantee.

The Ministry, in its reply (February 2016), while admitting the fact regarding delay in conducting PAT, stated that the same was delayed due to various factors such as payment terms, percentage of assured placements, nature of jobs offered, *etc*. The fact remains that the DGR's initiative of October 2012 of PAT did not fructify due to lack of planning and decision making at DGR & Ministry's level.

B Poor implementation of Reservation policy

As per Govt. of India, Ministry of Finance orders[7], ESM have been given reservation in Central Govt. Departments/Central PSUs, Banks, Central Para Military Forces (CPMF) *etc*. in Direct Recruitment as shown in the **Table-11** below:

Table-11: Reservation of Group 'A', 'C' and 'D' Posts

Name of Organization	Group 'A' Posts	Group 'C' Posts	Group 'D' Posts
Ministries / Deptts	-	10%	20%
CPMF	10%	Not Available	Not Available
PSUs	-	14.5%	24.5%
Banks	-	14.5%	24.5%

(Source: Govt of India Orders)

The matter of reservation for ESM re-employment was being dealt by the Cabinet Secretariat and the responsibility was passed on to ESW/DGR in July 2012. The role of DGR in regards to Reservation Policy was to implement the DOPT policy in Govt organizations. The DGR compiles and analyzes the information provided by the various Organizations and those which do not have the prescribed percentage of ESM in their organization were requested to fill up the posts reserved for ESM by them. The ESW, after two years, *i.e*. in August 2014 circulated the matter to all Ministries/Departments to send all such reports on half yearly basis and called for first report for the period ending December 2013 immediately. Out of 412 Ministries/ Deptts, only 135 Deptts had responded to the DGR between September 2014 and February 2015.

We noticed that in 135 departments, whose data were available with the DGR, against authorization of 1,03,648 ESM, only 25,606 ESM (25 *per cent*) were employed as of March 2015 under reservation policy, leaving a deficiency of 78,042 ESM. Thus, reservation policy of the Central Government for employment of ESM was not being effectively implemented and monitored by DGR since June 2012.

[7]Govt orders issued in December 1979, March 1980, May 1988 and Gazette Notification of October 2012.

The Ministry, in its reply (February 2016) stated that considerable number of Central Government Ministries/Departments and CPSUs are not forwarding data for monitoring of implementation policy despite requesting them to furnish the requisite data. Cabinet Secretariat has mandated ESW to collect and compile data in respect of implementation of reservation policy, however, ESW has not been empowered to monitor the reservation vacancies, which continues to be in the jurisdiction of DOP&T.

The reply furnished by the Ministry is not acceptable as the ESM welfare and their rehabilitation/reemployment is the mandate of ESW/Ministry, and therefore it was the responsibility of DGR to collect, compile and forward data regularly to DOPT for effective implementation of Reservation Policy of ESM.

2.1.8. Employment

The role of DGR is to empower retiring/retired service personnel with additional skills through training courses and assist them in choosing second career through employment/self employment welfare schemes. The Ministry has launched one Employment and ten Self- employment schemes for resettlement / rehabilitation of Ex-Servicemen/Widows/Dependents. DGR sponsors and monitors these schemes through its Employment and Self-employment Directorates.

The Employment Directorate is responsible for registration of Ex-Servicemen, sponsoring them for employment and monitoring of functioning of DGR empanelled Security Agency Scheme**.** The Self-Employment Directorate is responsible for employment and functioning of ESM Coal Loading and Transportation Companies, Tipper Attachment for widows and disabled ESM, issue of Eligibility Certificate for Allotment of Oil Product Agencies, sponsorship for Company Owned Company Operated (COCO) Scheme and CNG in NCR, sponsorship for Allotment of Mother Dairy Outlets / Safal Outlets for retired JCOs/ORs and facilitate allotment of Army Surplus Vehicles to ESM / Widows through Master General of Ordnance's (MGO's) Branch Army HQ.

We found that all the DGR sponsored schemes are more than 10 years old. Over these years no new scheme has been proposed / introduced by the DGR/Ministry for the welfare / self-employment of the ESM. This is despite two independent Directors working exclusively for Employment and Self-Employment Schemes at DGR. Further, no review of the schemes has been carried out knowingly that the ESM had hardly any interest in old vintage/surplus vehicles, there was no adequate load for Coal companies, the war widows were not getting the requisite 8 *per cent* quota for Oil Product Agencies as per orders of MOP&NG, no interest of ESM was noticed in the Gopaljee Diary Scheme and for CNG outlet 60 *per cent* ESM were not getting jobs in the absence of MoU. No modification / modernization had been carried out by the DGR/Ministry to the old schemes as several schemes appear to struggle for existence due to change in the working environment ever since their inception**.**

Audit examination of one Employment and seven Self-employment schemes further revealed that the schemes are not being monitored properly and ESM have been deprived of the intended benefits of the schemes as discussed below:

2.1.8.1 Employment Scheme

Security Agency Scheme

The DGR began sponsoring Security Agencies from 1992 onwards to ensure a resettlement opportunity for the ESM. Government of India/Department of Public Enterprises in November 1994 instructed all the Central Government Public Sector Undertakings / Enterprises (CPSUs/CPSEs) to take security cover from the Security Agencies sponsored by the DGR. The guidelines for the Security Agencies were issued/revised from time to time and finally revised in July 2012 (amended in January 2013).

ESM (Officers) apply to DGR for the empanelment of Security Agency. Demand for Security Guards is received from CPSUs/CPSEs. ESM (ORs) are deployed as security guards by the Proprietors of ESM Security Agencies. The DGR sponsor empanelled Security Agencies in cyclic order of their seniority to the CPSUs/CPSEs who carry out tendering for final selection. The ESM (O) has to submit license obtained from State Government under Private Security Agency Regulation Act (PSARA), 2005 for operating the Security Agency. However, the Ministry in July 2012 relaxed this condition making the ESM eligible for operating Security Agencies on furnishing of acknowledgment of application submitted for PSARA license which was subsequently withdrawn with effect from April 2015. At least 90 *per cent* ESM would be employed by the Individual ESM Security Agency. Each Security Agency is required to furnish six monthly Guards Updation Strength Report to DGR duly countersigned by the Principal Employers i.e. CPSUs.

Audit Comments:

- Audit examined documents in respect of 303 security agencies; out of which 215 Security Agencies (71 *per cent)* were Held in Abeyance (HIA) i.e. temporarily non-operational as of September 2015. Out of 215, 184 Security Agencies were HIA due to non- submission of PSARA license and remaining 31 were HIA due to other reasons such as non-submission of six monthly Guards Updation Strength Reports, non-deployment of ESM guards to the extent of 90% of total guards, Show Cause Notices issued *etc*. No efforts were made by DGR to facilitate early issue of PSARA license to ESM Security Agencies by the State Governments. Thus, ESM had been deprived from the intended benefit of the scheme.

- There is no mechanism in place for inspection of the Security Agencies as no SOP / guidelines have been issued by the DGR in this regard. Moreover, no inspection programme for inspection of the Security Agencies was prepared by the audited two DRZs. In the absence of proper inspection, legitimate deployment of ESM guards and fulfilment of their entitlement could not be ensured.

- The six monthly Updation Strength reports were being sent by the Security Agencies to DGR without countersignature of the principal employers as required under the rules. In the absence of which, authenticity of the legitimate deployment of ESM guards could not be ensured.

The Ministry, in its reply (February 2016), admitted the points for compliance and stated the issue of large number of security agencies coming under HIA status was immediately addressed by the DGR. Meetings were held and matter was taken up with the concerned authorities and States like Andhra Pradesh and Maharashtra have started issuing PSARA licenses. The number of PSARA holding license security agencies has shot up from 29 *per cent* to 43 *per cent*. The SOP for inspection has been prepared and same will be circulated amongst all inspecting agencies.

The fact remains that the considerable percentage *i.e.* 57 *per cent* security agencies are still temporarily non-operational mainly due to non-submission of PSARA license in Maharashtra and Andhra Pradesh. Further, the SOP prepared for inspection of Security Agencies is still at the circulation stage. Thus, ESM had been deprived of the intended benefit of the scheme.

2.1.8.2 Self-Employment Scheme

(A) Allotment of Army surplus vehicles to ESM / their widows / ESM Co-operative societies

The scheme 'Allotment of Army surplus vehicles to ESM / their widows / ESM Co-operative societies' was introduced in January 1962. The Ministry issued / revised guidelines from time to time for the operation of the scheme which was finally revised in April 2006.

The DGR register the names of willing eligible ESM / their widows and forward their names as per Roaster to the Army HQ, Master General of Ordnance (MGO) Branch for allotment of Army surplus vehicles at the price fixed by the Ministry. The applicant has to deposit Security (₹1,000, ₹3,000 & ₹8,000 depending on the type of vehicles) with the DGR, which will be forfeited and transferred to the Government treasury quarterly if the applicant does not claim for refund of the security deposit from DGR within 18 months from the date of issue of release order of the vehicle. MGO's Branch are required to intimate the DGR about the details of release orders for issue of the vehicles and vehicles collected from the Depots.

Audit findings related to deficiencies in the scheme as observed during audit are discussed below:

- There was steep decline in registration for the Army surplus vehicles by the ESM, which was 1082 nos. in 2010 slashed to 67 nos. in 2014. Evidently, ESM have hardly any interest for Army surplus vehicles which reflects adversely on the overall success of the Scheme.

- The waiting time for the vehicles was alarming. In certain cases, it ranged from 10 to 20 years, which forced the applicants to go for cancellation of the registration.

- There was lack of coordination between DGR & Master General of Ordnance Branch (MGO's Branch) as the requisite data i.e. the details of release orders for the vehicles issued by MGO's Branch and vehicles collected by applicants during 2010 to 2014 from Depots were not sent to DGR by MGO's Branch and Depots concerned respectively.

- DGR had made Fixed Deposits (FDs) of ₹4.50 crore in November 2010 out of security deposit amount accumulated with them. The details of calculation of ₹ 4.50 crore was not furnished and neither this was audited by Internal Audit. However, no such provision of term deposit exists in the MoD's guidelines of April 2006.

Ministry, in its reply (February 2016) have admitted the shortcomings such as sharp decline of interest shown by ESM due to lack of interest in vintage vehicles, poor availability and non coordination between DGR and MGO's Branch. The Ministry sidetracked the audit comments on maintaining Non Public Fund Accounts for Security Deposit and the details of ₹4.50 crore, which was ESM money and kept in term deposit. Thus, the intended benefit to the ESM has not been derived from the scheme.

(B) ESM Coal Loading and Transportation Scheme

The Scheme was formulated to raise ESM Coal Loading and Transportation Companies between erstwhile Ministry of Energy and Ministry of Defence in 1979 with the aim of having union free captive transport organizations in Coal Subsidiaries and providing an opportunity to ESM for resettlement. Memorandum of Understandings (MoUs) of April 1999 and December 2013 signed between the Coal India Ltd (CIL) and DGR set out the guidelines for the formation and running of ESM Coal Loading and transportation Companies at the Coal Subsidiaries of CIL. Clause 18 of the MoU (April 1999) provides that modalities of fixing rates and escalation to be paid yearly will be formulated by Coal India Ltd. in consultation with DGR. Further, Clause 13 of MoU (December 2013) and its addendum of April 2014 stipulate that minimum guaranteed works commensurate to 80 *per cent* of its fleet capacity in a year would be given to ESM Coal Companies by the CIL Subsidiaries.

On receipt of requisition from the CIL coal subsidiary, the DGR sponsor ESM Coal Pvt. Ltd. Company having five eligible ESM (Officers) as Directors. The ESM Coal Company starts with a minimum of 1 Pay loader and 10 tipper trucks which is further enhanced at the stipulated time interval. The ESM Coal Company is required to employ ESM/their widows/dependents to the extent of 75 *per cent* of total regular employees. The ESM Company is permitted to operate for 05 years extendable to 09 years from the date of commencement of the work.

The Scheme has two sub-scheme linked with it, which are discussed below:

(i) Tipper Attachment Scheme for eligible ESM (PBOR):

The scheme has been instituted to provide an opportunity to ESM Pan India to partake in the ESM Coal Transportation scheme through attachment of a tipper truck.

(ii) Tipper Attachment Scheme for Widows/ Disabled ESM / Dependents:

The DGR sponsors eligible widows/disabled ESM / dependents who make one-time refundable deposit of ₹ 1.00 lakh for five years with ESM Coal Company which in turn pays back fixed remuneration of ₹ 3,000/- per month to them. DGR will attach 20 widows/disabled ESM/dependents against 10 tippers owned by the ESM Company.

We observed that:

- ❖ There were six Coal Subsidiaries of CIL for operation of ESM Coal Loading and Transport Companies as shown in **Annexure-III**. Out of these only three are sending demands for ESM coal companies. Two CIL Subsidiaries stopped sending demands for ESM coal companies since 2009 and in remaining one subsidiary, only one ESM Coal Company is operational since May 2008. As 50 *per cent* of the CIL Subsidiaries meant for ESM were non-operational, the ESM have been deprived of the desired benefits of the scheme.

- ❖ Contrary to MoU for yearly rate revision and escalation to be paid by CIL in consultation with DGR for coal transport work, rate revision was done in 2008 and 2012 i.e. after a gap of four years without involving DGR. No rate revision was done after 2012 till date. Thus, ESM coal companies were deprived of the intended benefits from revision of rate.

- Audit scrutiny of the inspection reports regarding inspection of the ESM Coal companies by two DRZs, i.e. Lucknow and Pune during 2010-11 to 2014-15 revealed the following irregularities in the functioning of the scheme:

- As per MoU, at least one Director should be present at the work sites but no Director was present at the work site during the time of inspections. Further, no ESM was present and private trucks were operating in Coal mines sites. Pay loaders / tippers attached by ESM remained idle as the works were given to civil contractors.

- The work orders for coal transportation were placed on ESM coal companies for short duration i.e. three months to one year and no fixed quantity of coal to be transported by the ESM coal companies was laid down.

- All works of coal loading and transportation in one CIL Subsidiary *i.e.* Western Coal Field Ltd. (WCL), Nagpur were put through the process of tender. Any work that was refused / turned down by civil contractors due to either economical un-viability or external factors was offered to ESM coal companies through post written consent. As the ESM coal companies cannot take part in the tendering process, they have to wait for completion of tendering procedure for award of work. This practice was against the MoU signed between DGR and CIL as the MoU assured for allocation of minimum guaranteed work to the ESM company.

The Ministry, in its reply (February 2016), admitted the points for compliance and stated that presently the ESM Coal Companies are being sponsored to four CIL Subsidiaries out of six subsidiaries. Two CIL subsidiaries stopped sending demands for ESM Coal Companies since 2009. The matter of this decision of CIL which was without reference to DGR would be taken up with CIL for restoration of employment avenues with all the subsidiaries. The matter of rate revision was taken up with DGR on several occasions and for which CIL has now constituted a study group in August 2015 for revision of the rates. Further, it was stated that the point of presence of Directors at work site would be specifically checked by DRZs during inspection and adequate work commensurate to 80% of fleet capacity in a year would be provided to each of the ESM coal companies.

The fact remains that after August 2012, no rates have been revised so far and the study group constituted in August 2015 by the CIL is still to give its report for revision in the rates. Thus, the ESM are deprived of the legitimate dues to be paid to them. Further, the DGR have to take follow up action to address the irregularities noticed by the DRZs during inspection of ESM Coal Companies working at CIL Subsidiaries.

(C) Oil Products Agencies/LPG Distributorship Scheme

The scheme for allotment of Oil Product Outlets and LPG Agency both in rural and urban areas was introduced for rehabilitation and resettlement of disabled Armed Forces personnel of three Services, war widows and their dependents with the concept to recognize the sacrifice of Defence personnel for the Nation. The beneficiary of the scheme is governed by Ministry of Petroleum and Natural Gas (MOP&NG) orders issued in consonance with MoD in October 2000 which laid down 8 *per cent* reservation for the Defence Personnel for allotment of Retail Outlet for Petrol, High Speed Diesel, Kerosene Oil and Liquefied Petroleum Gas (LPG).

However, orders of the MOP&NG regarding 8 *per cent* reservation for ESM were revised from time to time by the Oil Companies *i.e.* Indian Oil Corporation Ltd, Hindustan Petroleum Corporation Ltd and Bharat Petroleum Corporation Ltd and reservation percentage for ESM had been diluted without involving MoD as shown in **Annexure-IV**.

Audit examination of the scheme revealed as under:

- The Oil Companies have diluted the 8 *percent* reservation for Defence Personnel by including the Paramilitary personnel, Central/State Govt. and Central/State PSUs employees in this category and also making it class based reservation (Open class, OBC, SC/ST) in respect of LPG Distributorship and Retail Outlet Dealership schemes. The impact of inclusion of other employees in the Defence Personnel category is corroborated by the steep declining trend in issue of Eligibility Certificates (533 in 2010 to 65 in 2014) by the DGR as shown in **Annexure-V**. As such number of ESM beneficiaries under the scheme had drastically reduced.

- The dilution in reservation led to various complaints from the ESM/Widows/Dependents regarding non-allotment of Retail Outlet/LPG Agency to them but DGR office was not in a position to resolve the issues on the plea that short-listing, interview, selection, allotment of Retail Outlets/ LPG Agencies is the sole prerogative of the Oil Companies and DGR has no say in it except issue of Eligibility Certificates. However, DGR had not taken up the matter with the MOP&NG to save the reservation quota for the ESM.

- There is no mechanism with DGR to ensure that reservation percentage as laid down by the MOP&NG is actually given to the ESM as no vacancy position is reported by the MOP&NG to DGR. The ESW/DGR have no involvement in the scheme except issue of Eligibility Certificate, which is a flaw in the scheme.

- The details of beneficiaries who have been allotted Retail Outlets/LPG Agencies by the Oil Companies are not available with DGR as the details are not furnished by the Oil Companies. As such DGR had not monitored the scheme effectively.

The Ministry, in its reply (February 2016), have stated that revisions in reservation quota were incorporated by the Oil companies without involving DGR and for which a meeting chaired by the DGR with representative of MOP&NG, MoD (DESW) and members of oil companies was held in the office of the DGR in August 2015 for restoration of 8% policy for allotment of oil product agency under Defence Quota without bifurcation of quota on caste basis reinstating the priorities on level of sacrifice of defence personnel.

The fact remains that Ministry has failed to take up the matter effectively with MOP&NG on the issue of arbitrary dilution of reservation quota for ESM by the Oil Companies to safeguard the interest of war widows.

(D) Compressed Natural Gas Outlet Manager Scheme

The Compressed Natural Gas (CNG) Outlet Manager scheme was introduced in 2001 with the aim to provide trouble free supply of CNG to the vehicle owners in Delhi/NCR by employing ESM (O) as CNG Outlet Managers under Company Owned Company Operated basis. The DGR and Indraprastha Gas Ltd. (IGL) in September 2001 formulated a draft MoU to lay down suitable guidelines to ensure smooth running and consistency of the scheme. As per the draft MoU, the manager will employ maximum ESM (PBORs) not less than 60 *per cent* of the authorised staff for the CNG station.

We observed that:

❖ The draft MoU has not been signed for more than a decade as IGL was not inclined for the same and the scheme is being run without any MoU. In the absence of the MoU, the basic condition of employing minimum 60 *per cent* ESM at the CNG stations cannot be enforced.

❖ Contrary to the extant procedure, the panel of ESM (O) for sponsoring to IGL are not prepared by a BoOs as ESW representative was not attending DGR office for this purpose.

The Ministry, in its reply (February 2016), admitted the points raised by audit and at the same time confirmed that the scheme is running successfully, which is not tenable as in the absence of MOU signed by the IGL, the 60 *per cent* authorization of ESM for CNG station could not be ensured.

(E) Company Owned Company Operated (COCO) Retail Outlet Scheme

The COCO Retail Outlet scheme is operated by the designated Company Officer and manpower & other services are to be provided by the selected Service Provider for day to day efficient operations. The Oil Companies approach the DGR for sponsoring the names of ESM(O) for Service Provider to be selected after interview of such sponsored ESM(O). The DGR will make efforts to obtain feedback from the concerned Oil Company and display result of the sponsored candidates on the notice board.

During the period from 2010 to 2014, as against the total requirement of 739 projected by the Oil Companies, the DGR had sponsored names of 2105 ESM(O). However, the record of ESM(O) employed by the Oil Companies has not been maintained by the DGR.

We observed that:

- ❖ Apart from DGR, the KSBs/RSBs were also sponsoring the ESM(O) directly for the scheme who have also taken the benefit of Security Agency scheme from DGR, which is contrary to the rule position that an ESM can avail the benefit of only one scheme.

- ❖ The DGR had not obtained feedback from the Oil Companies relating to number of ESM (O) selected/employed by the Oil Companies. In the absence of which the extent of benefit derived from the scheme to the ESM could not be known.

The Ministry, in its reply (February 2016), admitted all the points raised by audit and confirmed to take remedial measures in the scheme.

(F) Mother Dairy Scheme

The role of the DGR under the Mother Dairy Scheme, started in November 1974 in Delhi and NCR, is to sponsor the names of ESM to M/s Mother Dairy for allotment of milk / SAFAL booths as per the MOU entered into between DGR and Mother Dairy. The selected candidate shall be required to enter into an agreement with the Mother Dairy within ten days of declaration of result and to submit security deposit of ₹ 1.00 lakh. Thereafter, training relating to running and operating the booth will be organized for the ESM for two weeks. On completion of successful training, the booth is allotted as per the seniority.

We observed that selected ESM had to deposit a considerable amount (₹1.00 lakh) on account of security deposit at the time of agreement with Mother Dairy. However, allotment of booth was made after successful training and availability of booth as per the seniority of the ESM, resulting in blockage of hard earned money of the ESM with Mother Dairy. In a case where delay occurred in allotment of booth for almost seven months, the DGR took up the matter (February 2011) with Mother Dairy to charge ₹ 1000/- at the time of agreement and balance of ₹ 99,000/- at the time of allotment of booth to eliminate the risk of blocking the ESM money for an inordinate time. Nevertheless, the DGR in February 2012 signed the MoU without incorporating such clause of security deposit in MoU which is against the welfare measures for ESM.

The Ministry, in its reply (February 2016), admitted the points raised by audit and stated that the clause of Security Deposit to be deposited in two instalments i.e. ₹1000/- at the time of selection and ₹ 99,000/- at the time of allotment of booth could not included in MoU by oversight in year 2012 and the same would be taken up with Mother Dairy earliest which would be awaited.

(G) Gopaljee Dairy and Fresh Farm scheme

The role of the DGR under the Gopaljee Dairy and Fresh Farm Scheme is to sponsor names of ESM (PBORs) for allotment of the milk / Fresh Farm booths on receipt of requisitions from GDFPL under two MoUs signed between DGR and M/s Gopaljee Dairy Foods Pvt. Ltd. (GDFPL) in August 2012 and March 2013

During the last three years, against their demand of 43 Milk Booths and 8 Fresh Farm Booths, only 21 Milk Booths and 08 Fresh Farm Booths respectively were allotted by GDFPL to the ESM. Thus, the scheme is not encouraging and no review of the scheme was conducted at Ministry’s level to discontinue the scheme.

The Ministry, in its reply, admitted the points raised by audit and stated that over the years the response and interest on the scheme was not found encouraging and an urgent review of the scheme after obtaining feedback from the users will be done.

2.1.9 Improper Budget Formulation Exercise

The budget projections are made by the DGR directly to Director General Financial Planning (DGFP), IHQ of MoD (Army) and the allotment is made by the DGFP for conducting training and allied activities.

Total allotment and expenditure for the years 2010-11 to 2014-15 is shown in **Table-12** below:

Table-12: Allotment and Expenditure for the year 2010-11 to 2014-15

(₹in crore)

Year	Allotment	Expenditure	Savings (+) / Excess (-)
2010-11	21.30	21.30	0.00
2011-12	17.48	16.76	(+) 0.72
2012-13	18.23	18.23	0.00
2013-14	18.50	18.50	0.00
2014-15	19.98	19.98	0.00
Total	95.49	94.77	(+) 0.72

(Data provided by DGR)

Above 94 *per cent* of the total budget was spent each year on the training of retiring/retired Service Personnel and remaining six *per cent* on Publicity, Information Technology, Contingencies, *etc*.

We observed that:

- The budget process was not routed through the ESW although in a meeting of March 2009 Joint Secretary ESW pointed out that the budget formulation of DGR needs to be changed and ESW should fully be involved and all budget proposals were to be routed through them.

- Budget was not projected based on the courses to be undertaken during the year. During 2010-11, 2011-12 & 2014-15, there was an increase in budget allotment ranging between 5 *per cent* to 10 *per cent* and in the years 2012-13 and 2013-14, there was no increase in budget allotment in respect of previous year, which had resulted in cancellation of 208 course in 2010-11 due to shortage of funds.

- Funds to the tune of ₹1.5 crore were approved by ESW in November 2010 and made available to DGR from Armed Forces Flag Day Fund (AFFDF), a Non-Public Fund Account. Out of which, payment of ₹1.46 crore for 50 training Institutes was released in April-September 2011 without deducting TDS of ₹3.09 lakh from the training institutes.

The Ministry, in its reply (February 2016) stated that the forecast, planning, allotment, utilization and audit is a major policy decision which has wide ramifications. While admitting the point regarding non-deduction of TDS, Ministry informed that a case would be taken up for its regularization, which was awaited.

Conclusion

The re-employment training and rehabilitation schemes were conceived with well thought ideas but the review of the functioning of DGR revealed that the intended benefits to ESM as envisaged, could not be derived due to irregularities and shortcomings as discussed in the foregoing paras:

- Sponsoring of names for various trainings was not done objectively as selection of trainees had not been done by a requisite committee. Hence, the considerations of area where skill require are upgraded for resettlement is not established.

- There was no transparency in selection of institutes for training. While the institutes which did not fulfil the eligibility criteria were selected for awarding courses yet certain institutes fulfilling the eligibility criteria had been rejected. Four institute, were selected, which were not even registered/affiliated.

- Courses were not selected judiciously as in certain courses turnout of the trainees was below 10 *percent* of the total vacancies and instead of job oriented courses, unwarranted courses were conducted.

- Adequate inspection by the DRZs was a tool for monitoring. However, due to inadequate inspection availability of adequate infrastructure and faculty with the training institutes, quality of training, attendance of participants was not ensured.

- The DGR had no record to find out the number of ESM who got re-employed after training. Hence, achievement of desired objectives of DGR and value for money expended (₹ 90.98 crore) on trainings could not be ensured.

- DGR sponsored schemes, except Mother Dairy Scheme, for resettlement of ESM/Widows/Dependents have not proved encouraging.

- The ESW/DGR had not initiated adequate measures to monitor the effective functioning of the schemes, which had deprived the ESM of the intended benefits of the schemes.

Recommendations

➢ Ministry’s guidelines on selection of trainees by a committee comprising of representatives of MoD, DGR and Services need to be adhered to for fair and proper selection of the trainees. Adequate criteria need to be drawn for selection of trainees.

- Selection of training institutes be done in a fair and effective manner after evaluation of their performance by the committee and norms should be framed for fixation of course fees.

- For better placement of the ESM, focus should be on Placement Assured Training (PAT) courses. Data regarding employment of trained ESM may be maintained by DGR to monitor the effectiveness of the trainings being imparted.

- A mechanism should be designed by the DGR to liaise with the Corporate/Private Sector to seek greater employment opportunities for ESM and a clause to provide job placement assistance to the trained ESM may also be incorporated in the agreement with training institutes.

- Director Resettlement Zones (DRZs) should conduct proper inspection of the training institutes/courses and DGR's sponsored schemes. To have sound budgetary formulation, annual budget proposals of DGR may be based on courses to be conducted during the year and routed through ESW.

2.2 Supply Chain Management of Rations in Indian Army-Follow up Audit

Ministry implemented only two out of 12 recommendations of PAC directly related to activities of Supply Chain Management of ration despite acceptance and assurance given in 2013. As a result, activities related to provisioning/ procurement, testing, distribution of ration could not be improved and satisfaction level of the troops, particularly in Northern and Eastern Command remained low.

2.2.1. Introduction

Audit Reports are essentially a means to improve performance and accountability which can be achieved through implementation of its recommendations. Follow-up audit refers to the practice where Audit examines the corrective action of the Ministry, taken on the basis of the recommendations of the previous Performance Audit, accepted by the Ministry.

Comptroller & Auditor General of India's Report No 6 of 2010-11, Union Government (Defence Services) on Performance Audit of "Supply Chain Management of Ration in Indian Army" (PA Report) was tabled in the Parliament on 3rd August 2010. The Public Accounts Committee (PAC) selected the report for detailed examination during 2010-11 and brought out 15 recommendations/observations in their 47th Report (15th Lok Sabha) presented to the Parliament in December 2011. Ministry had accepted all the 15 recommendations/observations (11 in their Action taken Note of March 2013 and four in the Action taken Statement of March 2014) for implementation.

2.2.2. Scope of Audit

The follow-up audit covered a two year period from 2013-14 and 2014-15 *i.e* the period after adoption in the PAC Report of March 2013. The audit was carried out from June 2015 to October 2015, covering office of the Director General Supplies and Transport (DGST), Army Purchase Organisation (APO), four Command Headquarters (Northern, Western, Eastern and Southern) and one Corps Headquarter and three Supply Depots (including two consumer units under each Supply Depot) in each selected Command, including Composite Food Laboratories (CFLs)/ Food Inspection Units (FIUs) located at Jammu, Delhi, Mumbai and Bengdubi. Eight items of dry ration *viz*., Atta, Rice, Sugar, Dal, Tea, Edible Oil, Malted Milk Food and Tinned Jam and the entire range of fresh rations were covered during the follow-up audit. Selection of units and items of ration was generally aligned with those selected in the original PA.

2.2.3. Audit Objectives

The follow-up audit was conducted with the aim to verify the compliance to 15 recommendations of the PAC, accepted by the Ministry in 74th report of PAC presented in parliament in March 2013 and their Action taken Statement issued in March 2014.

2.2.4. Audit Criteria

The criteria for evaluating implementation of the audit recommendations were derived from:-

- Observation/ recommendations of PAC's 47th Report (15th Lok Sabha);
- PAC's 74th Report on Action taken by the Government on observations/recommendations of PAC contained in their 47th Report;
- Action Taken Statement issued by the Ministry vide Office Memorandum F. No. 4(6)/2011/D(QS)(Vol III) dated 11th March 2014

2.2.5 Audit Findings

As a follow up Audit, we examined the implementation and the corrective action taken by the Ministry against 12 out of the 15 accepted recommendations, which were related to the activities directly related to the Supply chain management of ration. The remaining three recommendations a) Introductory b) Delay in response to Audit Report by the Ministry c) Compliance to the proposals given by High Level Committee (HLC) constituted by the Ministry to analyze the recommendations of the CAG were procedural in nature and therefore not brought out in the report.

Issue wise findings of the Audit examination are described as follows;

2.2.5.1 Provisioning of dry ration

As observed in paragraph 2.1 of the PA report, the requirement of ration was centrally determined by the Ministry more on a normative basis rather than on actual data. Neither DGST nor the Ministry had at their disposal correct figures of feeding strength and available stock balances which varied at different levels and thus the process was exposed to the risk of over/under provisioning of ration. The PAC noticed that the Standard Operating Procedure (SOP) had become outdated and needed to be revisited and updated in consonance with the constantly changing requirements. The recommendations were accepted by the Ministry and corrective action taken. The revision of SOP was confirmed to PAC in March 2013.

During the follow-up audit, it was noticed that significant variations continued to exist between the annual requirements of dry rations projected by Command Headquarters to the DGST and the demand worked out after consolidation of the Stock Return and Demand Statements (SRDS) received from the lower echelons under its control. We observed that the Command Headquarters changed the demands, both by increasing and decreasing the quantities, received from lower formations. The increase was found to the extent of 48 per cent in case of Sugar in 2013-14 by Southern Command, whereas the quantities of Jam Tinned were decreased by the same Command in the same year by 44 *percent.*

Notwithstanding the demands worked out by the Command Headquarters, DGST again independently worked out the requirement of dry rations. Significant variations were observed between the quantities demanded by the Commands and the requirement worked out by DGST. For instance, the requirement of "Tea" worked out by DGST in 2013-14 was 3500 Metric Tonnes (MT) against the aggregate demand of 3199 MT of all Commands i.e. excess of 301 MT. On the other hand, the requirement of "Dal" worked out by DGST in 2014-15 was 8752 MT short of the combined demand projected by the Commands. Variation between quantity demanded by Commands and the quantity projected by DGST is shown in **Table-13** below;

Table-13: Variation in projection of quantities by Command Headquarters and DGST

Item	2013-14			2014-15		
	Commands (in MT)	DGST (in MT)	Percentage variation	Commands (in MT)	DGST (in MT)	Percentage variation
Atta/Wheat	125558	124988	0	139370	123000	-13
Rice	114070	121000	6	119214	120000	1
Sugar	38980	37600	-4	47298	39000	-21
Dal	38853	37500	-4	45752	37000	-24
Edible Oil	33620	34300	2	38253	34000	-13
Tea	3199	3500	9	3454	3400	-2
MMF	4299	4000	-8	4785	4400	-9
Jam Td	1034	1050	2	1207	1100	-10

Further the annual requirement worked out by the Army HQ was again changed by the Ministry. The quantities arrived at by the Ministry was again worked out on normative basis, mainly after discussion and mutual agreement between the DGST. This was despite the figures and inputs furnished by the lower formations based on the actual feeding strength and stocks available on ground. As a result, the requirements finally accepted by the Ministry was short up to 20 *per cent* in 2013-14 and up to 23 *per cent* in 2014-15 in comparison to the projections made by the Army HQ. Audit observed that due to absence of objectivity in working out the quantities of ration, the purpose of revision in SOP was compromised, as the final approval of quantities continued to be made on normative basis **Table-14** shows the quantities projected by Army HQ and those negotiated with Ministry.

Table-14: Quantity projected by Army HQ and those negotiated with Ministry

(Qty in MT)

Item	2013-14			2014-15		
	Projected by AHQ	Qty finally approved by the Ministry	Percentage variation	Projected by AHQ	Qty finally approved by the Ministry	Percentage variation
	A	B	C	D	E	F
Atta/Wheat	124988	118000	-6	123000	120500	-2
Rice	121000	118000	-2	120000	120000	0
Sugar	37600	35000	-7	39000	35000	-10
Dal	37500	35000	-7	37000	35700	-4
Edible Oil	34300	32000	-7	34000	32700	-4
Tea	3500	3350	-4	3400	3400	0
Malted Milk Food	4000	3200	-20	4400	3400	-23
Tinned Jam	1050	1050	0	1100	1100	0

The persistent inaccuracies in the provisioning of dry ration gets substantiated by the fact that the total quantity of Edible oil, Tinned Jam, Dal and MM Food eventually procured by the Army through central and local purchase in 2013-14 exceeded the quantity sanctioned by Ministry Similarly, in 2014-15 total procurement of sugar and Dal exceeded the sanctioned quantity by 40 *per cent* and 23 *per cent* respectively. by 18 *per cent*,7 *per cent*,6 *per cent* and 4 *per cent* respectively. Over procurement of items in comparison to sanctioned quantities indicates that deficiencies still exist in realistic estimation of annual requirement of ration.

2.2.5.2 Procurement of dry ration

In para 2.2 of the PA Report, it was observed that the procurement of dry ration was not made as per the quantity approved by the Ministry. While over procurement had been noticed in respect of Sugar and Jam, there were shortfalls in the procurement of Dal and Tea, due to failure of large number of contracts, which was eventually made up through local purchase at higher rates resulting in extra expenditure. Based on the recommendation of the PAC, Ministry accepted to revise the terms and conditions of APO contract to make it more stringent for non-performing contracts including risk purchase clause in the contracts to cover local purchase by depots. During the follow up audit the following position emerged in relation to this recommendation:

A Revision of Procurement Procedure

Based on the recommendations of the PAC, the Ministry in June 2014, approved alignment of Request for Proposals (RFP) with the provisions of Defence Procurement Manual (DPM) 2009 incorporating penalty clauses like forfeiture of Performance Bank Guarantee (PBG), Liquidated Damages (LD), General Damages (GD) and Risk Purchase (RP) clause. APO, in their Action Taken Note to the recommendations of the PAC, had confirmed that procurement of Tea and Dal had improved due to the institution of stringent and punitive measures in procurement process.

We, however, noticed in the follow-up audit that except for Sugar, none of the dry items were procured as per the revised RFP format given in DPM, which suggested two bid tender process for APO's procurements. The reason given by the Ministry for non-procurement of other items as per the revised RFP was non-availability of duly approved qualitative requirement by the competent authority. This justification was however not factually correct as the specifications of the ration items had already been well laid down by the Army Headquarters.

B Shortfall in Central Purchase

Out of the selected eight items, only six items *viz*, Sugar, Dal, Edible oil, MM Food, Tinned Jam and Tea, are procured centrally by Army Purchase Organization (APO). It was observed that APO had not procured the indented quantity of ration during the period of audit. During 2013-14, contracts for the indented quantities could not be concluded in any of the six[8] selected items. We found that even the supplies for the contracted quantities were not fully executed in two out of six items. As a result over all shortfalls in procurement against the indented quantities was between eight *per cent* and 71 *per cent*. Similarly, in 2014-15, contracts for indented quantities were concluded only in case of two items. The overall deficiency in actual procurement against the indented quantities for 2014-15 was upto 66 *per cent in* four[9] out of six items procured. The state of quantities indented and actually procured by APO is shown in the **Table-15** below:

Table-15 : Quantities indented and quantities actually procured

(Qty in MT)

Item	Qty sanctioned	Indent placed	Quantities contracted	Quantities received	Percentage shortfall
2013-14					
Sugar	35000	35000	10000	10000	71
Dal	35000	35000	21100	19167	45

[8] Sugar, Dal, Edible Oil, MMFood, Tinned Jam, Tea.
[9] Sugar, Dal, Edible Oil, Tea.

Item	Qty sanctioned	Indent placed	Quantities contracted	Quantities received	Percentage shortfall
Edible Oil	32000	32000	22600	22600	29
Tea	3350	3350	2960	2718	19
MM Food	3200	3200	2950	2950	08
Jam Td	1050	1050	860	860	18
2014-15					
Sugar	35000	28000	20860	20860	40
Dal	35700	35700	15235	11990	66
Edible Oil	32700	32700	22040	22040	33
Tea	3400	3340	2910	2739	19
MM Food	3400	3400	3400	3400	nil
Jam TD	1100	1100	1100	1100	nil

APO stated that shortfall in procurement of Sugar in 2013-14 was due to absence of procurement policy post de-regulation of sugar by Government of India in May 2013. This was further followed by the delay in formulation of sugar procurement policy, which led to shortfall in 2014-15. Shortfall in procurement of Dal, Edible Oil and Tea were attributed to non-performance of contractors or non-acceptance of tenders due to higher rates quoted by Federations/firms which resulted in repeated retendering.

C Non recovery of additional expenditure of ₹1.73 crore

On the basis of the Audit recommendations, the Ministry had stated that new measures had been instituted wherein quantities purchased locally by Supply Depots against non-performance of central procurement contracts, were being intimated to APO regularly for affecting the recoveries of excess expenditure incurred under the Risk Purchase Clauses in APO contracts. We observed that while the shortages in central procurement of Dal, and Tea caused due to default of the contractors were made up through procurement at local level by the Supply Depots, yet recovery for extra expenditure caused was not being made from the defaulting contractor. This resulted in an additional expenditure of ₹1.73 crore, despite the commitment given by the Ministry to PAC.

Despite acceptance of these recommendations, DGST stated that no information was given to APO about quantities procured locally in Supply Depots and the present procurement procedure does not allow the recovery of extra expenditure caused due to local purchases due to failure of contracts from the defaulting contractors. Hence, not only did the Ministry fail to adhere to the commitment made to PAC, but the inaction also precluded the possibility of recovery of ₹ 1.73 crore from the defaulting firms.

D Procurement of branded Atta

Para 2.2 of the PA Report pointed out that the then existing practice of procurement, transportation and grinding of wheat into Atta at the flour mills by Army was uneconomical as compared to the branded Atta available in the market. Therefore, the PAC had recommended procurement of wholesome, unadulterated whole wheat Atta at competitive prices well in time. In this regard, Audit observed that the required quantity of branded Atta in selected Commands was procured at the level of Command HQ based on the sanction issued by the Ministry (October 2009). In this aspect the recommendation of Audit was complied with.

2.2.5.3 Testing of food samples by Defence Food Laboratories

Under para 2.3 of the PA Report, comment was made on the grant of extension of Estimated Storage Life (ESL) to almost all the samples of ration sent to Composite Food Laboratories (CFL) for extension of life. In some cases extension was granted even up to 28 months after expiry of the ESL. In this regard the PAC recommendation about revision of the existing provisions of Army Service Corps (ASC) Technical Instructions and restriction of extension of ESL up to a maximum period of three months was accepted by the Ministry. It was also agreed to appoint qualified scientific/medical advisor to check the quality control and induction of the latest technology for testing of ration samples in the Defence Food Laboratories. On these issues during the follow-up audit the following were noticed:

A Non revision of ASC Technical Instruction

We observed that while the instructions were issued for extension of ESL for food products based on the existing Technical Instruction in June 2013, yet amendment to the provisions of ASC Technical Instruction has not been finalized as of June 2015.

B Extension of Estimated Storage Life (ESL) of ration

During the follow-up audit it was noticed that while the number of samples sent to CFLs/ Food Inspection Unit (FIU) had substantially reduced from 4026 in 2007-08 to 1181 in 2014-15 yet the CFLs had granted extension to almost all the samples sent to it by the depots. Out of 2751 samples of ration sent to the three CFLs and one FIU for extension of ESL during 2013-14 and 2014-15, extension was granted to 2729 samples i.e. more than 99 *per cent*, which included extension beyond three months in 176 cases. We observed that CFL Delhi adhered to the policy and did not grant extension beyond three months of the expiry of prescribed ESL. CFL Jammu however granted extension beyond three months in 157 cases. However, CFL Mumbai and FIU Bengdubi extended the ESL of sugar beyond three months of the prescribed ESL in 19 cases.

In reply to audit query CFL Mumbai agreed and stated that the total extension for sugar was granted for a period of 11 months. Thus, the recommendation of PAC had not been fully complied with and the troops were being issued ration after the expiry of prescribed ESL.

C Induction of latest technology for testing of food

Ministry accepted the PAC recommendations to use latest state of art technology for testing of food items. We however observed that though the funds to the extent of ₹2.81 crore were allotted to DGST in September 2013 for procurement of the latest equipment for testing of food samples, yet the same was not utilised. In August 2014, again funds of ₹3.15 crore was allotted for this purpose but the same was surrendered in March 2015 due to delay in according of approval by CFA for procurement of equipment. Thus, modernization of Defence Food Laboratories as recommended by the PAC could not be undertaken.

2.2.5.4 Non creation of two CFLs.

In response to the observation made by PAC that three CFL's were inadequate when compared with large size and vast geographical size of the Army, Ministry agreed to recommend establishment of one new CFL at Chandigarh and upgrade existing FIU at Guwahati to CFL for approval of Ministry of Finance. We found that Army had initiated process for raising of two CFL's through accretions but the sanction of Ministry was still awaited.

2.2.5.5 Procurement of fresh ration

In para 3.2 of the PA Report, Audit made the observation that, the process of procurement of fresh ration was non-competitive despite large number of registered vendors. Vendors were registered for fresh items as a whole and not for specific items in which they were dealing within their normal course of profession. On this issue, the Ministry on the basis of PAC recommendation had accepted to review ASC procedure for conclusion of contracts to foster competition, expand the vendor base and participation of reputed vendors in the process of tendering. During the follow-up audit the following were noticed on these issues:

A Review of procurement procedure for fresh items

The existing ASC procedure for conclusion of contracts entered in 2006 had not been reviewed despite assurance given by the Ministry. As a result, process of procurement of fresh ration was still non-competitive. Audit examined a sample of 383 contracts for fresh ration concluded in Northern, Southern and Western Commands and it was observed that in approximately 66 *per cent* of the cases, procurements were made only on one or two quotations. Procurement with limited competition was carried out despite the fact that number of vendors registered for fresh items during the period ranged from 94 to141.

B Non-expansion of vendor base

We observed that there was no expansion in vendor base during the period under review. On the contrary, total number of vendors registered under all categories in Northern, Western and Southern Command had reduced from 141, 98 and 132 in 2013-14 to 129, 89 and 125 in 2014-15 respectively. Further, it was noticed that the vendors continued to be registered for all items despite the recommendation of PAC and its acceptance by the Ministry for registration of specific items.

C Unreasonably low rates of fresh ration

As per para 3.3 and 3.4 of the Audit Report it was pointed out that Reasonable Rates (RR), determined by a panel of officers before opening of tenders and Accepted Rates (AR) of fresh ration were much below the Average Local Market Rates (ALMR). Wide variation in contract rates within the same geographical area was also pointed out. In this regard, the PAC had recommended modification of procurement procedure urgently to rectify the anomalies within a definite time, which was accepted by the Ministry (March 2013). The revision of procedure is however still under process (June 2015).

As a fall out of the delay in revision of Procedures, the following position was noticed in the follow-up audit:

- **Anomaly between Market Rates and Reasonable Rates**

At selected stations in Southern Command it was observed that RR and AR of fresh items was up to 41 *per cent* below the ALMR in 2013-14. However, in 2014-15, the RR and AR were found to be higher than the ALMR by 46 *per cent* and 41 *per cent* respectively.

Further AR of fruit fresh at various stations in Western Command and Northern Command was between 15 *per cent* and 48 *per cent* below the ALMR in 2013-14.

- **Variation in contracted rates in the same and adjacent Stations**

Wide variation of contracted rates at the same or adjacent stations was again noticed in the contracts concluded at the adjacent stations in Southern, Northern, Western and Eastern Command during 2013-14 and 2014-15. Findings on continued variation in the rates are discussed as follows;

Southern Command

Pune, Lohegaon, Khadakwasla and Kirkee are adjacent stations. Rates of vegetables, fruits, and meat dressed at Khadakwasla in 2013-14 were found to be higher than the rates of same items at Kirkee by 8 *per cent*, 38 *per cent*, and

19 *per cent* respectively. Rates of fruit at Pune/Lohegaon, Khadakwasla and Kirkee in 2014-15 were 36 *per cent*, 42 *per cen*t and 61 *per cent* higher than the rates of previous year.

Northern Command

The rate of vegetables at Akhnoor in 2013-14 was higher than the rates at Nagrota by 29 *per cent*. Rate of fruit fresh during 2013-14 at B D Bari and Akhnoor was 24 *per cent* and 13 *per cent* higher than the rate at Nagrota. Rate of fruit fresh at Nagrota in 2014-15 was 23 *per cent* higher than the accepted rate of previous year.

Western Command

Rates of vegetables fresh in 2014-15 at Patiala, Chandimandir and Ludhiana were 13-28 *percent* higher than the rates of previous year and the rates of fruit fresh in the same year at Ambala, Patiala, Chandimandir and Ludhiana were 20-28 *per cent* higher than the rates accepted in 2013-14

Thus, the anomalies in ALMR, RR and AR and variation in contracted rates within the same geographical area persisted despite assurance given (March 2014) by the Ministry.

2.2.5.6 Distribution of ration

As per para 4.1 of the Audit Report, consuming units did not receive different varieties of fruits and vegetables according to the prescribed mix. Analysis showed that 74 *per cent* of fruits and vegetables issued during the month were not according to the prescribed proportion. To overcome the variation between the fresh rations issued by all the Supply Depots and received by units, the PAC recommended developing an efficient and effective computerized system connecting all the Supply Depots and supply points to bring issues, receipts, inventory management, procurement and other aspects of supply chain management under this system to avoid discrepancies. The recommendation was accepted by the Ministry in March 2013. Results of the follow-up audit on this point are discussed below.

A Computerization of Army Service Corps (ASC) Depot

In October 2009, software development was undertaken as a pilot project in DGST to connect all the Supply Depots and supply points with Corps /Commands Headquarters and ST Directorate for sharing of data. The contract was awarded to M/s Prithvi Info Solutions Ltd for ₹ 82.24 lakh in October 2009, to be completed in four stages by June 2011. After completion of the first two stages and payment of ₹27.61 lakh , contract was proposed for closure in June 2015 due to slow progress of the work, DGST stated that a case for development of Enterprise Wide Application for all ASC functions had been taken up and was likely to be made functional by 2020. Thus, the recommendation of the PAC has not been complied with.

B Non-issue of fruits and vegetables in the prescribed proportion

During the field audit of selected consuming units and scrutiny of documents related to receipt and consumption of fruits and vegetables fresh, we observed that the consuming units did not receive the fruits and vegetables according to the prescribed mix. Wide variation in the receipt of vegetables and fruits in the prescribed proportion was noticed in Western and Eastern Command, whereas, the variation in Northern Command was marginal. Comparative analysis of the issues and receipt of vegetables and fruits at 15 units in the Northern, Western and Eastern Commands showed that in the case of vegetables and fruits, about 82 *per cent* and 92 *per cent* of the issues made during the month respectively were not in accordance with the prescribed percentage variety.

As per the data maintained by the consuming units, we found that out of total 423 types of vegetables authorized, 74 types were issued as per the prescribed proportion, whereas, 183 types were issued less and 166 types were issued in excess of the prescribed proportion. In the case of fruits only 17 types out of 202 types of fruits authorized were issued as per the prescribed proportion, wherein, 98 types were issued less and 87 types were issued in excess of the prescribed proportion. We enquired for the reasons for non-issue of fruits and vegetables in the prescribed proportion from the concerned Supply Depots. In reply the Supply Depots stated that main reason for the same was due to non-availability of certain items in local market and projection of demand by user units as per choice of troops.

2.2.5.7 Quality of ration found inadequate by Army's own feedback reporting system

Para 4.4 of the Audit Report had pointed out very low level of troops satisfaction regarding quantity, quality and taste of rations including low quality of meat and fresh vegetable. It was also pointed out that 68 *per cent* of the feedback reports received from the consuming units were graded as satisfactory and below. The PAC recommended validation of the quality of ration through an independent agency, revision of the existing food specifications with a provision to review the same every three years. In this regard during the follow-up audit the following status was noticed.

A Study by Defence Institute of Physiology and Applied Science (DIPAS)

Sanction was accorded by the Ministry in August 2013 for a study through DIPAS to determine the satisfaction level of troops as well as to suggest alteration in ration depending upon the nutritional requirement, development of food technology and preference of troops. The findings of the study were required to be submitted within one year from the date of issue of the sanction but Audit observed that DIPAS was still analysing the data collected from 53,497 troops (August 2015).

Further, Audit examined the feedback reports generated by 39 units in the Northern, Western and Eastern Commands, wherein the troops had evaluated the quality of various items of ration under seven categories. The quality of ration was graded as good or below in respect of 60 *per cent* and 73 per cent of the feedback reports pertaining to Eastern and Northern Command respectively, whereas in Western Command, quality of ration to the extent of 84 *per cent* was graded as excellent.

B Revision of Food Specifications

In response to the recommendation of the PAC, the Ministry had stated that Technical Standardization Committee (TSC) meets annually for review and revision of the Defence Food Specification. During the follow-up audit, however, it was noticed that TSC met after 30 months in April 2015, during which five new specifications were formulated. AHQ stated (September 2015) that no guidelines were received from the Ministry to conduct TSC meeting annually. Thus, the recommendation of the PAC to revise the existing food specification with a provision to review same every three years has not been complied with.

C Availability of data on exclusive Website of Army

The PAC had recommended posting of contracted prices of procurement of dry and fresh items of ration, list of vendors, data regarding price variation rates at different locations and last purchase price of fresh ration on an exclusive website of the Army for the concurrent knowledge of different command/authorities, tasked with the responsibility of procurement and provisioning for the troops. In compliance to this recommendation, we observed that data regarding list of vendors, rates *viz.* expired contract rate (ECR) and current contract rate (CCR) at different locations, last purchased price *etc.* were being displayed on Army website.

2.2.6 Conclusion

The follow-up audit on supply chain management of ration was conducted with the aim to verify the compliance of the Ministry and Army HQ to the accepted recommendation of PAC, which were made on the basis of Comptroller & Auditor General of India's Report No 6 of 2010-11and adopted by PAC in March, 2013.We observed that against the 12 recommendations, which were directly related to the activities of Supply chain management of ration, the action had been taken only on two recommendations, which were fully implemented**.** In case of the remaining ten recommendations, implementation was partly done.

As a result of delay in compliance to accepted recommendations, Army continues to procure items of dry ration, except sugar, without following the procurement process as envisaged in DPM. Full requirement of ration as indented by the Army HQ, was not being met by the APO, which resulted in local purchase by the Supply Depots at higher rates. Recovery of the extra expenditure caused due to local purchase at higher rates could not be invoked from the defaulting firms by the Ministry despite the assurance given to the PAC. Army continues to consume ration, even after the expiry of original shelf life. Modernisation of the food testing laboratories by introducing latest state of the art technology could not fructify despite availability of funds.

As far as procurement of items of fresh ration is concerned, the DGS&T could neither expand the vendor base nor improve the process of registration of specific vendors for specific group of items. As a result, the procurement of fresh ration was not adequately competitive. The lack of competition was visible as abnormal variations in the local market rate and the rates accepted by the Army persisted.

2.3 Procurement of Environmental Control Units found incompatible during exploitation

Despite persistent overheating of the engine, the user trial team recommended the procurement of Environmental Control Units (ECU) for fitment in Infantry Combat Vehicles. Accordingly, 2,077 ECUs worth ₹219.48 crore were procured in 2009 and 2010. The fitment of ECUs could not however be carried out due to overheating of ICV engines and reduction of its efficiency. The ECUs are therefore lying without any effective use.

Infantry Combat Vehicle-BMP-2/2K (ICV) is the main Combat vehicle held by the Mechanised Infantry Battalions of the Indian Army. The vehicle was equipped with missile carriage and firing capability and features like computerised fire control system and thermal imaging night sight. These components/ sub-systems are highly sensitive and degrade under extreme heat and dust conditions. For efficient functioning of the electronic system and to reduce fatigue of the crew/troops, a need was felt to provide Environmental Control Units **(**ECU) on these vehicles.

The scheme to provide 969 ECUs was approved by Defence Procurement Board (DPB) in January 2006. Ministry of Defence (MoD) issued request for proposal (RFP) to 15 vendors in March 2007 seeking techno-commercial proposal. The RFP, *inter alia*, included a provision stipulated in the General Staff Qualitative Requirement (GSQR) of ECU that it should be able to operate continuously for six hours without affecting its efficiency. Four vendors participated in the user trials which were held in August 2007, but none of the vendor met the GSQR requirement about requisite cooling. In subsequent user trials held in April/May 2008, only two vendors participated. While the equipment of M/s Sidwal Refrigeration Limited did not meet the GSQR parameters, the equipment of M/s Fedders Lloyd Corporation was selected. The trial of the equipment was carried out on ICV for 30 km run in April 2008 but engine temperature increased to 110°C after 10 Kms of running, against the permissible oil and water temperature level of 80°C and 100°C. Thus due to overheating of the engine, the trials were not successful. Repeat trials were carried out, but the problem persisted. The dynamic trials were yet again carried out (May 2008) but the results showed that the oil and water temperature had again gone up to 105°C and 107°C respectively. Notwithstanding these findings, the equipment was recommended by the User trial team (June 2008) for induction stating that the increase in temperature was within limits.

Based on the recommendations of the trial team, the procurement of 969 ECUs was approved by the Ministry and a contract concluded in September

2009 with M/s Fedders Lloyd at a cost of ₹110.66 crore. The ECUs were supplied by the firm between April 2010 and August 2010.

To meet the additional requirement of the Army, another contract for procurement of 1,108 ECU was concluded for ₹124.93 crore in October 2010 with the same firm under option clause/ repeat order. The delivery of the equipment was completed between March 2011 and November 2011 and a total payment of ₹219.48 crore was made to the firm for the supplies made against the two contracts. Balance payment of ₹16.11 crore was to be made on successful installation/commissioning of ECU.

As per the fitment schedule drawn by Director General Mechanised Forces (DGMF), 1,494 ECUs were to be fitted in the ICVs between March 2011 and May 2012 and remaining 583 ECUs were to be fitted between July 2012 and December 2012. We observed that installation of ECUs in ICVs was put on hold in April 2012 by DGMF due to technical flaws resulting in overheating of ICV engine and reduction in efficiency, after 30-40 minutes of its usage. To solve these problems, certain modifications like improved PTO shaft, *etc* were incorporated yet the problem of engine overheating persisted, for which no conclusive reasons/solution were found. As a result, the fitment of ECUs is awaited (November 2015).

Hence it is evident that despite the problem of engine overheating right from the user trials carried out in April 2008, 2077 ECUs were procured at a cost of ₹219.48 crore, which were lying without any effective use.

The case was referred to the Ministry in January 2016; their reply was awaited (March 2016).

2.4 Non-deduction of income tax on field allowances granted to Junior Commissioned Officers in the Army

Pay and Accounts Officers (Other Ranks) as Drawing and Disbursing Officers did not recover income tax on field allowances, in excess of the exemption limit, paid to Junior Commissioned Officers in the Army. The amount of such tax worked out to ₹5.05 crore for the period from 2008-09 to 2012-13.

Pay and Accounts Officers (PAO) (Other Ranks) (ORs) are the Drawing and Disbursing Officer (DDO) for the purpose of deducting income tax at source in respect of Personnel Below Officers Ranks (PBORs). PAOs are the officers from the Office of Controller General of Defence Accounts (CGDA), under Ministry of Defence.

As per section 192(1) of Income Tax Act, 1962 any person responsible for paying any income chargeable under the head 'salaries' shall, at the time of payment, deduct income tax on the estimated income of the employee under the head 'salaries' for the financial year. The tax deduction at 'source' (TDS) is to be made at the average of income-tax. Certain allowances of pay given by the employer are however exempt up to a fixed limit under Section 10(14) of Income Tax (IT) Act. This includes certain field allowances[10] being paid to the Army personnel.

Consequent to revision of rate of field allowances in respect of Junior Commissioned Officers (JCO) in September 2008 and January 2011, the field allowances payable to the JCOs became higher than the exemption limit specified in the IT Act. Audit scrutiny of the data in the computerized pay accounting system related to pay and allowances of the JCOs at 30 out of 40 PAOs revealed that notwithstanding the fact that exemption prescribed was up to a fixed limit, the PAOs had computed the exemption on entire amount of the field allowances, for the period from September 2008 to March 2013. Therefore, income tax on amount of field allowances, exceeding the exemption limit, was not charged by the PAOs. This resulted in non-recovery of ₹5.05 crore.

In reply to the audit query, the PAOs accepted the fact that income tax was not being deducted on the field allowances by the system. CGDA, in February 2014, also stated that the software program has been modified to include the amount of field allowances, more than the specified exemption limits for calculation of income tax from the financial year 2013-14 (Assessment Year 2014-15). The reply was however silent about the recovery of income tax for the period from 2008 to 2013.

Thus, the failure of DDOs in deduction of income tax from JCOs, on field allowances, in excess of the laid down exemption limit, resulted in non-recovery of ₹5.05 crore for the period from 2008-09 to 2012-13.

The case was referred to the Ministry in October 2015; their reply was awaited (March 2016).

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[10] Compensatory Field Area Allowance(CFAA), Compensatory Modified Field Area Allowance(CMFAA), Compensatory Highly Active Field Area Allowance(CHAFAA), High Altitude Uncongenial Climate Lower (HAUCL), High Altitude Uncongenial Climate Higher(HAUCH) and Special Compensatory Counter Insurgency Allowance(SCCIA)

2.5 Short acquisition of land measuring 73.826 acres

The failure of the Defence Estate Officer, Jorhat and the Board of Officers in following the laid down procedures regarding identification of land on ground, before acquisition, resulted in short acquisition of 73.826 acres of private land valuing ₹ 2.26 crore.

In view of the new raisings of a Mountain Brigade in the Eastern Theatre, a need for acquisition of suitable land at Daporijo, Upper Subansiri District, Arunachal Pradesh was felt to accommodate the formation.

The procedure for acquisition of immovable property laid down in the Cantonment Laws stipulates that after a piece of land is selected for acquisition a site plan thereof will be sent by the user to the Defence Estate Officer (DEO). The DEO would collect and furnish concerned Board of Officers (BoO) the following information;

(a) The extract of the Revenue/Khasra plan with land proposed to be acquired duly marked on it in distinct colour, clearly showing the boundary of each village involved in the proposal.

(b) Details of Khasra number of the land selected for acquisition together with the respective area of each Khasra Number.

(c) "No-objection" of the concerned State Government to the acquisition of land.

The DEO and BoO is also required to inspect the land jointly with the local revenue staff to identify accuracy of the land under acquisition before submitting the proposal for obtaining Government sanction.

BoO convened in January 2010 for identification of suitable land for the Mountain Brigade, recommended (February 2010), the acquisition of 358.415 acres of private land in General area of Daporjio. Based on these recommendations, a case was taken for accord of sanction. Ministry accorded sanction in March 2010, for acquisition of 358.415 acres of private land at an estimated cost of ₹1.76 crore. The area of land to be acquired was however subsequently (December 2012) revised to 157.50 acres at an estimated cost of ₹4.82 crore at the rates of ₹ 3 lakh per acre plus two *per cent* contingency under the sanction of the Ministry.

For acquisition and taking over of the subject land, DEO Jorhat made a payment of ₹4.82 crore in December 2013 to the Deputy Commissioner (DC) Daporijo. During joint verification of the land by the DEO, DC Daporijo and Army Authority (AA) in December 2013 and in January 2014, it was however found that the total area of actual land was 83.674 acres only instead of 157.50 acres for which complete payment had been made. To reassess the area, a resurvey, by the team comprising of representatives of DC, DEO and AA was carried out in January 2014, but the actual area of land was found as 83.674 acre only. Hence there was a shortfall of 73.826 acres of acquired land valuing ₹ 2.26 crore. We observed that despite being aware of the inaccuracy in the measurement and quantification of the land, the DC disbursed the payment to the land owners in January 2014. Finally, the area of available land at Daporijo measuring 83.674 acres out of 157.50 acres was taken over in February 2015 by the DEO/Army Authority.

To an audit query (August 2015) about inaccuracy in assessment of the land being acquired, DEO Jorhat stated that Arunachal Pradesh was a non-cadastral area having no established system of land records and Khasra maps were not available for the whole state. Therefore, the BoO could not verify the details of land in question before acquisition.

The reply given by the DEO was however not justified as the absence of established land record system and non-availability of Khasra map in itself made it all more the important for the DEO and BoO to identify the physical availability of land ground, during the joint inspection with local revenue authorities before acquisition of the land. Hence the absence of land records cannot be a justification for sanction and payment for the land which did not exist on the ground**.**

The case therefore revealed that the failure on the part of DEO and BoO in verifying the quantum of land available on ground had resulted into short acquisition of 73.826 acres of land valuing ₹2.26 crore. The overpaid amount needs to be recovered or alternate land worth the excess amount paid be acquired by Army.

The case was referred to the Ministry in January 2016; their reply was awaited (March 2016).