

## CHAPTER III : ARMY

### 3.1 Working of Army Base Workshops

#### 3.1.1 Highlights

➤ There were significant underperformances in achieving the targets for overhaul of various equipment. The shortfall in overhaul of tanks and Infantry Combat Vehicles was up to 68 *per cent*, transport vehicles up to 58 *per cent* for vehicle engines it was up to 40 *per cent* and for manufacture of spares it was up to 42 *per cent*. As a result the overhaul schedule of these equipment was not adhered to, adversely affecting their operational readiness.

(Paragraph 3.1.5)

➤ The Army Base Workshops (ABWs) overstated the capacity utilisation, which was inconsistent with the actual performance for repair and overhaul.

(Paragraph 3.1.5)

➤ The ABWs were yet to implement the revised norm for working out the capacity and the yardstick for repair/overhaul of tanks.

(Paragraph 3.1.5)

➤ Non-availability of spares was a major bottleneck in the overhaul and repairs undertaken by the ABWs. The various agencies responsible for providing spares did not take effective advance action for spares.

(Paragraph 3.1.5)

➤ 512 ABW consumed considerable excess time over the norm in overhaul of tanks and Infantry Combat Vehicles. It completed overhaul of only six *per cent* within the norm of 90 days, while others took up to 30 months.

(Paragraph 3.1.5)

➤ Capacity to fulfill the overhaul obligations of Bofors guns was yet to be created. With the available capacity timely overhaul of the Bofors guns is not possible.

(Paragraph 3.1.5)

➤ Equipment overhauled by the ABWs did not conform to the required quality standard. 201 'B' vehicle engines overhauled and issued to users during 1999-2000 to 2003-04 failed prematurely.

(Paragraph 3.1.5)

➤ **The Depots failed to take over the repaired/overhauled equipment for long periods. They advanced questionable grounds for their inability to collect the repaired equipment.**

(Paragraph 3.1.6)

### 3.1.2. Introduction

Eight Army Base Workshops (ABWs) were established during second world war to carry out repairs and overhaul of weapons, vehicles and equipment to keep the Indian Army operationally ready. Towards this end, they also undertake manufacture of spares. The ABWs work under the overall control of Director General Electronics and Mechanical Engineers (EME) who functions under the Master General of Ordnance (MGO). Headquarters Base Workshop Group is responsible for planning and co-ordination of functions of the ABWs. The ABWs are co-located with the ordnance depots which feed them with repairables and spares. The overhauled/repaired equipment are received by these depots for issue to the user units.

The production/repair capacity of ABWs is determined on the basis of manpower and are fixed in terms of standard units (SUs) which is equivalent to 100 man hours. Various committees have recommended norms for the functioning of the ABWs from time to time.

### 3.1.3. Audit objective

A review of selected ABWs was conducted to assess whether:-

- (i) the ABWs carried out repair and overhaul of weapons, equipment and vehicles effectively to fulfill the requirement of the army;
- (ii) the resources of the ABWs were utilised efficiently and economically towards the above end; and
- (iii) the equipment/vehicles repaired/overhauled by the ABWs meet the users' requirements.

### 3.1.4 Scope of audit

Out of the eight ABWs, the following six ABWs were selected for review:

	<b>Name of ABW</b>	<b>Items overhauled</b>
(i)	506 ABW	Artillery guns (Bofors), L-70 gun, small arms
(ii)	508 ABW	Special vehicles <sup>1</sup> , bridging equipment, 'B' vehicle <sup>2</sup> engines, generator sets
(iii)	509 ABW	Telecom & electronic equipment, power equipment
(iv)	510 ABW	Air defence missile systems viz. Kvadrat, Schilka etc. 'B' vehicles engines
(v)	512 ABW	'A' vehicles <sup>3</sup> viz. T-55 tanks & variants, Infantry Combat Vehicles (ICVs)
(vi)	515 ABW	Manufacture of spares and simulators and fabrication work

<sup>1</sup> Special vehicle : KRAZ and KOLOS TATRA trucks

<sup>2</sup> 'B' vehicle : Nissan, Shaktiman, Jonga, Mahendra, Ambassador, Motor cycle etc.

<sup>3</sup> 'A' vehicle : T-55 tank and its variants viz. BMP, ARV, BLT etc.

The period of operation of the ABWs covered in the review was 1999-2004.

### **3.1.5. Production management**

#### ***Failure to revise the norms for determination of capacity and yard stick for overhaul***

Government accepted the downward revision of norms in terms of man hours required for overhaul of tanks on the recommendations of a committee headed by Lt. Gen. P.R. Puri in 1994 and asked the ABWs to revise the norms of man hours for overhaul/repair of other equipment also. The committee had recommended allocation of reduced man hours from 102.25 to 80 towards overheads (for 515 ABW from 150 to 122.85) against every 100 hours of direct labour. Further, it had recommended a lower requirement of standard units for overhaul/repair of tanks from the then existing 58.3 to 43.6.

With the implementation of the recommendation of the committee, the available capacity in the ABWs in terms of overhaul and repair should have increased significantly. However, the ABWs did not implement the optimum yardsticks for overhaul in the case of tanks and did not implement the revised overhead norms.

Since, however, the targets are fixed with reference to the capacity of the ABWs which is determined in terms of standard units consisting of direct labour, retaining the existing relaxed norms despite government orders provided an in-built cushion to the ABWs in determination of the overhaul/repair programme. With the implementation of the revised yardsticks, the targets themselves should have been set significantly higher than what were actually set.

The Army Headquarters stated in December 2004 that the recommendations of Puri Committee regarding manhour norms for calculation of capacity of ABWs were not accepted by the Government. This contention is not tenable as the Government had accepted in 1994 re-allocation of man hours under various standing work orders as recommended by the Puri Committee.

However, in view of non-implementation of government orders, the analyses in the succeeding paragraphs are with reference to the relaxed norms being followed by ABWs and need to be viewed as such.

#### ***Shortfall in achievement of overhaul/repair targets***

A five year overhaul/repair programme is prepared by the MGO taking into account the population, retention policy, periodicity of overhaul of the weapons, vehicles and equipment and the available capacity of the workshops. After the overhaul/repair programme is sanctioned by the Government, Headquarters Base Workshop Group prepares five year's programme for the various ABWs and assigns targets to them. The target for the ensuing year is 'firm', for the second year is termed as 'planned' and for the next three years are the "forecasts". This system enables advance planning and provisioning of spares etc.

Examination of targets and achievements in six ABWs revealed that there were significant shortfalls in achievement of targets for overhaul and repair of various

items. In case of overhaul of 'A' vehicles i.e. tanks, ICV and mechanised equipment, the shortfall ranged between 23 and 68 *per cent*. In case of class 'B' vehicles, the shortfall ranged between 35 and 58 *per cent*, while in case of vehicle engines, it ranged between 15 and 40 *per cent* as under:

**Table 1**

Sl. No	Commitment	1999-2000			2000-01			2001-02			2002-03			2003-04		
		T	A	S (%)	T	A	S (%)	T	A	S (%)	T	A	S (%)	T	A	S (%)
1.	Overhaul of 'A' vehicle	237	75	68	201	155	23	200	150	25	210	131	38	220	147	33
2.	Overhaul of Spl. vehicle	45	25	44	45	28	38	95	40	58	55	23	58	75	50	33
3.	Overhaul of 'B' vehicle engines	3747	2472	34	2754	2254	18	2657	2262	15	1513	1134	25	1048	625	40
5.	Overhaul of bridging eqpts.	36	-	100	41	25	39	56	34	39	80	38	52	70	44	37
6.	Overhaul of Power eqpts.	220	175	20	303	139	54	237	66	72	184	70	62	125	115	8
7.	Repair of Class 'B' stores	3700	3949	-	3800	3732	2	3800	2412	37	3000	1198	60	2000	1244	38
8.	MOS (506 ABW)	1600	1080	32	1600	1149	28	1600	923	42	1500	902	40	1200	784	35

**T : Target**  
**A : Achievement**  
**S : Shortfall in Percentage**

T-55 tanks and BMP-I ICVs are two critical 'A' Vehicles overhauled by the ABWs, which are operationally important for the Army. Analysis of targets and achievement showed severe underperformance adversely affecting the overhaul schedule and operational fitness of the vehicles as shown below:

**Table 2**

Equipment	1999-2000		2000-01		2001-02		2002-03		2003-04	
	Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement
Tank T-55	90	40	90	70	90	68	90	47	90	60
ICV-BMP-I	110	30	80	60	80	68	90	70	100	70

T-55 tanks held by the Indian Army are to remain in service up till 2017. The second overhaul of these tanks was to commence in 2000. Between 1999-2000 and 2003-2004, 450 tanks were to be overhauled at the rate of 90 per annum. Against this, 512 ABW overhauled only 285 tanks or 63 *per cent* of the tanks. This has an adverse impact on the operational readiness of large number of tanks that are due for overhaul.

The BMP-I ICVs held by the Army are to be de-inducted in 2018. The overhaul of these ICVs, which began in 1994-95 was to be completed by 2006-07. According to the overhaul schedule during 1999-2000 to 2003-2004, 550 BMPs were to be overhauled at the rate of 110 per annum. The 512 ABWs could, however, overhaul only 298 BMPs during this period.

The Base workshops attributed the shortfall in achievement of targets to the non-availability of repairables and non-availability of spares. The Army Headquarters also stated in December 2004 that the initial target fixed prior to the commencement

of the production year should not be taken as final targets since the targets were revised during the mid-term review, based on the availability of the repairables.

The contention of the Base Workshops and Army HQ is not tenable for the following reasons:

- ❖ There were delays in overhaul of even the available repairables as brought out in sub paragraph “Delay in repair and overhaul”. Adequate stock of repairable transport vehicles and ‘B’ vehicle engines were available with the feeding depots and the ABWs.
- ❖ The targets are fixed according to a five year plan taking into account the requirement of the Army, the availability of repairables and spares as well as the capacity of the Base Workshops. In indicating the overhaul targets for an equipment, the general staff aims to ensure desired level of availability and reliability of the equipment for the operational readiness of the Army. In accepting these targets, the provisioning and maintaining agencies are obliged to take suitable advance action for the timely availability of repairables and spares. Mid-term downward revision of targets is, therefore, questionable.

Such shortfalls in performance of ABWs would have a cascading effect and stretch the overhaul programmes beyond the life span of the equipment besides rendering large number of the equipment unusable.

#### ***Overstatement of capacity utilisation***

The targets for overhaul are fixed with reference to the available capacity of the workshops with a view to utilising their full capacity. While the workshops were able to achieve only 32 to 60 *per cent* of their target they reported almost 100 *per cent* and more utilisation of capacity. The capacity utilisation of the six ABWs reported by Base Workshop Group is shown below:

**Table 3**  
**Capacity vs output average last 5 years (1999-2004)**

ABW	Held capacity (SUs)	Output (SUs)	Output as % of held capacity
506	10330	10229	99.0
508	10951	7389	67.5
509	10133	10636	104.0
510	11885	14599	122.7
512	16568	17595	106.2
515	7502	7791	103.8

In the case of ‘A’ vehicles, which are repaired/overhauled by 512 ABW, while only 61.5 *per cent* of the targets were met over the five years, the capacity utilisation was shown as 106.2 *per cent*. ABW’s reporting of utilisation of their full capacity but achieving targets of only 30 to 60 *per cent* highlights production inefficiencies.

Examination revealed that overstatements of capacity utilisation by the ABWs were due to the following reasons:-

- (i) Abnormally high booking of monthly time lost on account of manhours lost.
- (ii) Excessive manhours booked under overheads.
- (iii) Inflated booking of manhours (SUs) for production against the laid down norms.

#### ***Non- availability of spares***

Non-availability of spares was cited as a reason affecting the overhaul and repair. The shortage of vital spares with reference to some of the critical weapons is shown below:

**Table 4**

<b>Weapon systems</b>	<b>Average shortfall for 5 years</b>
Tanks T-55	66%
BMP	69%
Schilka engine	83%
Kvadrat engine	89%

There were delays in manufacture of spares by the ABWs themselves. In 515 ABW, 90 *per cent* of the capacity is earmarked for manufacture of spares. Weapon-wise analysis of delay in manufacture of spares by 515 ABW disclosed as under:

**Table 5**

<b>Equipment</b>	<b>Percentage of outstanding orders for spares on 515 ABW</b>
Tanks T-55	74
155 mm gun	34
Schilka	78
Kolos	80
Kraz	85

These are outstanding for up to five years.

Ministry in their Action Taken Note (ATN) on Report of Comptroller and Auditor General of India for the year ended March 1991, No. 14 of 1992 had stated in August 2000 that steps were taken for improving the availability of repairables and spares. However, the performance of the ABWs continued to be plagued due to non-availability of spares.

#### ***Manufacture of spares***

Spares not available from civil trade and those which are to be indigenised are manufactured by ABWs. Work orders for manufacture of spares are placed on ABWs by the Depots. There was considerable delay by the ABWs in completing the orders

placed by the Depots. Yearwise break up of the work orders placed on the ABWs from 1998-99 to 2002-03 and outstanding as on March 2004 is furnished below:

**Table 6**

Year	506 ABW	509 ABW	510 ABW	515 ABW	508 ABW	Total
1998-99	-	-	-	30	-	30
1999-2000	14	-	-	102	7	123
2000-01	50	-	34	202	29	315
2001-02	89	-	66	587	99	841
2002-03	102	124	21	232	113	592
<b>Grand Total</b>	<b>255</b>	<b>124</b>	<b>121</b>	<b>1153</b>	<b>248</b>	<b>1901</b>

Thus, 1901 work orders placed on the ABW during 1998-99 to 2002-03 were still outstanding as of March 2004. 468 work orders are more than three years old. Many of these spares were required on priority basis. In 515 ABW, out of the 1153 items pending, 818 items were categorized as 'operational priority'.

ABWs indicated the following reasons for the delay in completion of the work orders:-

- (i) Disproportionate priorities assigned by the Depots in placing the work orders (515 ABW).
- (ii) Use of vintage machines in the ABW resulted in rejection of the samples produced (508 ABW).
- (iii) Mistakes in drawings and estimates (508 & 509 ABW).
- (iv) Non-availability of samples (509 ABW).
- (v) Non-availability of materials (510 ABW).
- (vi) Lack of manufacturing facility (506 ABW).

Non-availability of spares delayed the repair/overhaul of equipment/vehicles.

### ***Delay in repair and overhaul***

While the ABWs attributed the shortfalls in achieving the targets to non-availability of repairables (weapon, vehicle and equipment), there was abnormal delay in overhaul of even the available repairables as discussed below:

### **Tanks and Infantry Combat Vehicles**

Tanks and ICVs are overhauled at 512 ABW. The complete process of overhaul of a tank and ICVs requires 90 days time. Of the 304 tanks/BMPs that were received for overhaul during 1999-2004, only 18 i.e. a mere six *per cent* could be overhauled within the time stipulated as given below:

**Table 7**

Time taken For overhaul	Within 3 month	4 to 6 months	7 to 9 months	10 to 12 months	12 to 30 months	Total
Tanks	18	107	106	26	-	<b>257</b>
BMPs	-	55	182	32	07	<b>276</b>
<b>Total</b>	<b>18</b>	<b>162</b>	<b>288</b>	<b>58</b>	<b>07</b>	<b>533</b>

Similarly, 80 *per cent* of the ICVs took more than six months for overhaul. Army Headquarters stated in December 2004 that non-availability of spares was the predominant reason for delay. However, provision of spares was also the responsibility of the ordnance depots and ABWs.

### **Artillery guns - 155 mm Bofors**

155 mm Bofors guns are the mainstay of the artillery fire power of Indian army. These guns were due for overhaul after 18 years of service-life depending upon their usage. 506 ABW can overhaul 20 guns per annum. The capacity itself is very low to fulfill the overhaul requirement of Bofors gun. The workshop has overhauled only 12 guns so far. The pilot overhaul of first six guns took 19 to 39 months. The time taken in overhaul of the next six guns ranged from four to seven months. With the inadequate capacity and support available, it would take decades to overhaul the entire population of these guns. Thus large number of the guns are likely to be held without overhaul, adversely affecting their operational preparedness.

ATE Factron 720 is a test equipment used for the repair of printed circuit boards and modules of Bofors Guns and its associated equipment. This equipment which is a critical requirement for the overhaul/repair of Bofors weapon system was imported from UK for Rs 7.20 crore as part of engineering support package for Bofors weapon system in 1989. The system developed snags in 1997 and was yet to be repaired. In its absence tests are carried out manually, which requires more time besides limiting the scope and reliability of testing.

### ***Lack of repair technology***

Armoured Recovery Vehicle (ARV) of Polish origin and Bridge Laying Girder (BLG) were inducted in army between 1977 and 1988 and were to be overhauled after 12 years. The overhauls of the entire population of ARVs were to be completed by 2000 and that of BLG (60 M2) by 1998. However 512 ABW could overhaul only two BLGs and none of the ARVs until March 2004. Overhaul of these items could not be processed due to failure to procure/develop repair technology and non-establishment of overhaul line. Army Headquarters decided not to overhaul the low population BLGs. The offer for transfer of technology for overhaul of the ARVs received from a Polish firm in 1999 was yet to be approved. With overhaul long overdue, the operational reliability of the ARVs remained suspect.

### ***Poor quality of overhaul/repair***

Final inspection of the equipment overhauled by the ABWs is carried out by the Resident Inspector working directly under Headquarters Base Workshop Group. Assessment of the quality of serviceability of the repaired vehicle/equipment revealed the following:

There were premature failures of 'B' Vehicle<sup>4</sup> engines overhauled by 508 ABW and 510 ABW during 1999-2004. Of the 201 engines failed prematurely, 113 engines

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<sup>4</sup> Nissan and TATA Trucks, Ambassador Car, Jeep



were declared beyond economical repairs as shown below:-

**Table 8**

Year	1999-2000		2000-01		2001-02		2002-03		2003-04		Total	
	508 ABW	510 ABW	508 ABW	510 ABW	508 ABW	510 ABW	508 ABW	510 ABW	508 ABW	510 ABW	508 ABW	510 ABW
No. of engines that failed prematurely	36	38	19	26	35	11	14	10	-	12	104	97
No. engines declared BER	32	4	19	5	35	2	14	2	-	-	100	13

510 ABW attributed in May 2004 the premature failure of the engines to improper maintenance of the vehicle after fitment of the overhauled engine by the users. 100 engines declared beyond economical repairs were overhauled in 508 ABW. Army Headquarters stated in December 2004 that efforts were being made to reduce the premature failure cases by all ABWs.

510 ABW overhauled 150 engines of Kolos Tatra Vehicles during 2003-04 at a cost of Rs 6.75 crore. The overhauled engines were found to have higher smoke in exhaust, reduced power output, oiling up of engine and reduced engine life which reflected deficient quality of overhaul. As a result, 92 engines were lying in the ABW as of October 2004 as the units did not collect them. Army Headquarters stated in December 2004 that the testing parameters were later revised and cleared by Controllerate of Quality Assurance (BEML). The impact of revision on performance of vehicles was not available.

### **3.1.6 Delay in issue of overhauled equipment**

The Base Workshop Group issued instructions to all ABWs in August 1994 for expeditious issue of equipment to the Ordnance Depots after their overhaul. During 'Operation Parakram' in 2002 instructions were issued by the Army to expedite the issue of overhauled equipment lying in Base Workshops. There was undue delay in issue of overhauled equipment to Depots by the ABWs as discussed below:

In 512 ABW 53 *per cent* of the overhauled tanks were issued to Central Armoured Fighting Vehicle Depot (CAFVD) after a delay of 16 to 60 days as would be seen from the following table:-

**Table 9**

Delay	16-30 days	31-60 days	61-120 days	121-180 days	Above 180 days
No. of tanks/ICVs issued by ABW	137	173	53	01	02

Army Headquarters (HQ) stated in December 2004 that the availability of CAFVD representative to collect the tanks/ICVs depended upon the other prior commitments of the Depot. Since the 512 ABW and CAFVD are adjacent to each other sharing a common separating boundary wall, this contention is not understandable.

There was delay of up to one year in issuing overhauled engine assemblies by 510

ABW as shown below:

**Table 10**

<b>Delay</b>	<b>1-3 months</b>	<b>3-6 months</b>	<b>6 months to 1 year</b>	<b>More than 1 year</b>	<b>Total</b>
No. of engines	240	174	53	8	475

Army HQ stated in December 2004 that the delay was due to shortage of cases and cradles for transporting the engines. The reasons stated are untenable as it cannot explain the long delay of more than six months in so many cases.

The matter was referred to the Ministry in September 2004; their reply was awaited as of December 2004.

### **3.2 Recoveries/savings at the instance of Audit**

**Based on audit observations relating to irregular payments, units and formations recovered unauthorised payment of various allowances, electricity duty, testing charges, electricity/rent and allied charges, liquidated damages etc. amounting to Rs 3.52 crore and cancelled fourteen irregular work sanctions resulting in savings of Rs 18.33 crore.**

#### **Recoveries**

Test check of records of CDA (O)<sup>5</sup> Pune, Principal CDA, Southern Command (SC) Pune, CDA Southern Command Chennai and CDA Bangalore, eight Pay and Accounts Offices (Other Ranks), unit/formations of the Army, Defence Research and Development Organisation, Military Engineer Services formations and Area Headquarters Chennai revealed instances of various types of overpayments/short recoveries amounting to Rs 3.52 crore as detailed below:-

#### **Recoveries at the instance of audit**

*(Rupees in lakh)*

<b>Sl. No.</b>	<b>Unit/Formation audited</b>	<b>Nature of mistake/irregularity</b>	<b>Overpayment/Short Recovery</b>
1.	CDA (O), PAO <sup>6</sup> (ORs) CDA Southern Command Pune, CDA Chennai, CDA Bangalore, Area Headquarters, Chennai, GE <sup>7</sup> Bharatpur, GE(A) <sup>8</sup> Jodhpur	Irregular payments on account of Special Compensatory Counter-Insurgency allowance, Field allowance, City compensatory allowance, Compensatory Field Area allowance, Bhutan compensatory allowance, transportation allowance, excess drawal of condiment	246.50

<sup>5</sup> CDA (O) - Controller of Defence Accounts (Officers)

<sup>6</sup> Pay and Accounts Offices, (Other Ranks), Artillery, Nasik, Bombay Engineering Group, Pune, Maratha Light Infantry, Belgaum, Armoured Corps Regiment Ahmednagar, Army Ordnance Corps, Secunderabad, Madras Engineering Group and Centre, Bangalore, Pioneer Corps and Training Centre, Bangalore, General Reserve Engineering Force, Pune

<sup>7</sup> GE- Garrison Engineer

<sup>8</sup> GE(A)- Garrison Engineer (Army)

		allowance, rent and allied charges, outfit allowance, Classification Pay/Dearness Allowance, Compensatory Modified Field Area allowance, Non-recovery of subscription to AFPP Fund and Army Group Insurance, Ration allowance, overpayment of pay and allowances, wrong fixation of pay, TA/DA, Non-recovery of Handling/Clearing charges, Payment of electricity duty to the Rajasthan State Electricity Board.	
2.	Army units/DRDO/GE (North) Bangalore, GE (Air Force) Yelahanka, GE (Air Force) Tambaram, Assistant Garrison Engineer Independent (Research and Development) Avadi, GE (Army) Trivandrum	Non-recovery of testing charges, overpayment to supplier, excess payment of Sales tax, recovery of licence fee, transportation allowance, under recovery of training cost, non-revision of rent, under recovery of electric charges, non-recovery of rent and allied charges, non-recovery of rent from AFWWA Hostel.	80.04
3.	Canteen Stores Department HQ, Mumbai	Non-availing of rebate, non-supply of gift items, non-recovery of liquidated damages, penalty on delayed supplies etc.	24.19
4.	Principal CDA, SC Pune	Non-recovery of liquidated damages, furniture rent, licence fee, acceptance of second lowest quotation etc.	1.05
<b>Total</b>			<b>351.78 lakh Say Rs 3.52 crore</b>

When these instances were pointed out, the units/formations/offices concerned recovered/assured recovery of the above amounts.

### **Savings**

#### **Savings of Rs 18.33 crore at the instance of Audit**

During test check of records of various units/formations, audit noticed a few cases of irregular issue of work sanctions. On these being pointed out, the units/formations accepted the audit observations and cancelled the sanctions resulting in savings of Rs 18.33 crore as below:-

#### **Savings at the instance of Audit**

*(Rupees in lakh)*

<b>Sl. No.</b>	<b>Unit/Formation concerned</b>	<b>Remedial measures for regulation of irregularity</b>	<b>Amount involved</b>
1.	Headquarters Training Command, Indian Air Force Bangalore	Cancellation of sanction for provision of permanent building for Air Force School at Air Force Academy Hyderabad	58.12
2.	Station Headquarters Chennai	Cancellation of sanction for improvement to Guest room in Building No. P/12 at Army Camp Pallavaram, Chennai	2.86
3.	Headquarters 10 Corps C/o 56 APO	Cancellation of sanction for construction of Barrier wall and fountain at TCP gate No. 1 at a Military Station	3.64
4.	Station Headquarters Amritsar Cantonment	Cancellation of sanction for special repair for development of nature park at New Amritsar Military Station	5.00
5.	Headquarters 2 Corps C/o 56 APO	Cancellation of sanction for provision of bus stand at 'N' Area at a Station	1.37
6.	Station Headquarters Fazilka	Cancellation of sanction for provision of tiles in bathrooms, kota stone in kitchen, sanitary fitting & sink in married accommodation at Military Station Fazilka	3.51

7.	Station Headquarters Chandimandir	Cancellation of sanction for provision of Guard rooms at Station Workshop EME at Chandimandir	3.90
8.	Headquarters 91 Sub Area C/o 56 APO	Cancellation of sanction for provision of road at a Range	7.17
9.	Headquarters 91 Sub Area	Cancellation of sanction for provision of guard room at a Range	2.46
10.	Station Headquarters (Adhoc) Kalka	Cancellation of sanction for provision of compound wall in front and back side of single officers accommodation and side wall of officers mess, 102 Infantry Battalion (Territorial Army) and 5682 Army Supply Corps Battalion (Mechanised Transport) at Military Station Kalka	3.52
11.	Station Headquarters SriGanga Nagar	Cancellation of sanction for provision of eight bus stops at SriGanga Nagar	3.65
12.	Headquarters 33 Armed Division C/o 56 APO	Cancellation of provision of showers in all Bathrooms of Junior Commissioned Officers/Other Ranks living Temporary Residential Huts accommodation in a Military Station	2.42
13.	Headquarters 81 Sub Area C/o 56 APO	Cancellation of sanction for augmentation of water supply in Sector V at a military station	9.99
14.	Ministry of Defence	Deletion of provision of excise duty and sales tax in the contract concluded with Electronics Corporation of India Limited for 13 Modular Surveillance Receiver Systems	1725.00
		<b>Total</b>	<b>1832.61 lakh Say Rs 18.33 crore</b>

The matter was referred to the Ministry in August 2004; their reply was awaited as of December 2004.

### **3.3 Infructuous expenditure of Rs 2.63 crore on invalidation of recruits**

**Failure of Recruiting Medical Officers to carry out proper medical examination of the recruits at the time of their selection resulted in invalidation of 1083 recruits subsequently, casting doubt on the quality of medical examination. This led to infructuous expenditure of Rs 2.63 crore on pay, allowances and ration of invalidated recruits.**

Recruiting Medical Officers (RMOs) conduct medical examination of candidates for enrolment in the Armed Forces at the recruitment offices. On selection after declaration of medical fitness, the recruits are sent to different training centres, where they undergo a second medical examination by the RMO of the centre or at the nearest military hospital. Comprehensive guidelines for RMOs regarding their duties, responsibilities and conduct of medical examination for the recruitment in the Armed Forces issued by Directorate General of Medical Services (Army) in May 1989 stipulate that primary medical examination for enrolment in the Army is intended to preclude the acceptance of those candidates who are either unfit or likely to break down under the stress and strain of military services. The guidelines enjoin on the RMOs to remember that discharge of a recruit on medical grounds within a few

months of his enrolment causes unnecessary and avoidable expense to the state. The Manual for RMO lays down a list of medical conditions, signs of which if noticed by the RMO would lead to rejection of the candidates.

Audit scrutiny of the records of 31 Training Centres revealed that between 1999-2000 and 2003-04, 1608 recruits declared medically fit at the time of their enrolment by RMOs were subsequently declared medically unfit during the second medical examination conducted at the Training Centres. An examination of these cases revealed that out of these, 1083 or 67 per cent recruits were invalidated on grounds of organic diseases and physical deformities which pre-existed even before enrolment and which could have been detected by the RMO during recruitment. Most of the cases pertained to deformities like squint, flat feet, knock knee, deafness, stammering, defective vision, colour blindness etc., where the Medical Board certified that the disability pre-existed before enrolment and was not detected by the RMO.

Failure of RMOs to carry out proper medical examination of recruits at the time of their selection resulted in wasteful expenditure on their training till discharge, besides infructuous expenditure of Rs 2.63 crore on pay, allowances and ration of these recruits before their invalidation.

The matter was referred to the Ministry in September 2004; their reply was awaited as of December 2004.

### **3.4 Non-removal of encroachment and non-levy of damages**

**Due to inaction of Defence Estates Officer, Allahabad and Cantonment Executive Officer, Varanasi, three acres of Defence Land valued at Rs 3.72 crore had been encroached upon and is being exploited commercially. The damages to the extent of Rs 97.53 lakh till March 2004 were not levied.**

Defence Estates Officers (DEO) are responsible for prevention and removal of encroachment of land under their management. They are also responsible for assessing and levying damages for unauthorised occupation of any public premises and land. A bungalow constructed on defence land covering an area of 6.92 acres at Varanasi Cantonment was held under old grant terms since 1964. The land was under the management of DEO, Allahabad. In November-December 1996, the legal heirs of the bungalow unauthorisedly rented three acres of the adjoining land valued at Rs 3.72 crore to Varanasi Motors for storage and parking of vehicles. In addition, Varanasi Motors also constructed unauthorized structures for residential use. In February 1997, Cantonment Board issued notice for demolition of the structures under Section 185 of the Cantonment Act 1924. An appeal was filed by the offender against the notice. The Director of Defence Estates, Central Command Lucknow held in October 1997 that it was a prima-facie case of encroachment on Government land and did not grant the stay sought for.

Despite these orders of October 1997, the defence land encroached by Varanasi Motors in 1996 continued to be under their possession and exploited for commercial

purposes. The damages from October 1997 to March 2004 worked out to Rs 97.53 lakh which was not levied till date.

The matter was referred to the Ministry in August 2004; their reply was awaited as of December 2004.

### **3.5 Unauthorised establishment of School**

**Station Commander, Varanasi, not only reappropriated two Government buildings in August 2001 for unauthorisedly opening an Army School under the aegis of Army Welfare Education Society but also allowed it to construct a building on A-1 Defence land.**

Cantonment Land Administrative Rules 1937 provides that Class A(1) land in the Cantonment shall not be used for any purpose other than active military use without the previous sanction of the Central Government. The Ministry of Defence in April 1993 and January 2001 also issued instructions that its prior approval was required for opening of any school in Government land/buildings.

Contrary to the Government instructions, the Station Commander, Varanasi, re-appropriated two Government buildings and two rooms in August 2001 for opening of an Army School with effect from 1 April 2001 under the aegis of Army Welfare Education Society (AWES), a private body. The Station Commander also allowed AWES in April 2001 to occupy two acres of A-1 defence land costing Rs 2.48 crore adjacent to the school buildings, on which building costing Rs 27 lakh was constructed.

On this being pointed out in audit in January 2004, the Station Commander, Varanasi took up the case for regularisation in May 2004 with Madhya Pradesh and Bihar Area Jabalpur to regularize the Army School by obtaining Government sanction.

The matter was referred to the Ministry in April 2004; their reply was awaited as of December 2004.

### **3.6 Procurement of defective Transmission Reception units**

**Due to inadequate inspection by Senior Quality Assurance Establishment (Armaments) Chennai, equipment worth Rs 3.85 crore were accepted and subsequently found defective. Ignoring defects in previous supplies another order for Rs 91.42 lakh was placed on the same firm by COD, Agra.**

The Ministry of Defence placed a supply order in November 1994 for 162 Transmission and Reception Units, a sub component of Laser Range Finder (LRF) mounted on T-72 tanks, on General Optics Limited, Pondicherry at a cost of Rs 3.85 crore. The supply order provided 12 months warranty of the stores from the date of despatch. After inspection and clearance by Senior Quality Assurance Establishment (Armaments) (SQAE (A) ) Chennai, Central Ordnance Depot (COD), Agra and Opto

Electronics Factory (OLF), Dehradun received 82 and 80 equipment respectively between May 1997 and July 1998. COD Agra issued these equipment to 509 Army Base Workshop, Agra between October 1997 and September 1998. 509 Army Base Workshop returned 20 equipment in September 1998 as defective. Another 61 sets were declared defective in February 2000. OLF declared all the 80 modules as defective in April 2000. The firm did not replace the equipment and went for arbitration in April 2001. The Ministry of Defence lost the case in arbitration on the ground that beyond the warranty period of 12 months the firm had no liability to replace or rectify the defect. The award has been challenged in High Court of Delhi.

Audit scrutiny revealed that while giving bulk production clearance, Controllerate of Quality Assurance (Instruments) Dehradun asked the firm to give warranty for six years/265 hours/20,000 radiations. The firm agreed to this change in April 1998 and took up the matter relating to change of warranty with the former in July/August 1998 but the order was never amended to change the warranty. Transmission and Reception Units found serviceable by SQAE (A) Chennai were subsequently found defective by 509 Army Base Workshop and OLF Dehradun, raising doubts on the adequacy of inspection norms adopted by SQAE (A) Chennai.

Even as 509 Army Base Workshop returned 20 equipment as defective in September 1998, COD Agra placed a supply order on the same firm in October 1998 for the same equipment at a cost of Rs 1.05 crore. COD received 44 equipment between February 1999 and June 1999 duly inspected and cleared by the inspecting officer. The supply order did not provide for any other inspection at COD/509 Army Base Workshop. The equipment carried a warranty of 265 hours over the six years of operation and storage. Out of 44 equipment, 40 were issued to 509 Army Base Workshop, Agra in April/May 2000 out of which 37 were found defective. The firm was asked to rectify the defects in August 2002. The firm did not respond to any communication for repair/rectification of defective equipment. Defective equipment worth Rs 91.42 lakh were lying with COD Agra as of April 2004.

The department failed to get defective equipment worth Rs 3.85 crore purchased in November 1994 order replaced by the supplier. Subsequently, placing of a fresh supply order on the same supplier resulted in further procurement of defective stores worth Rs 91.42 lakh.

The matter was referred to the Ministry in April 2004; their reply was awaited as of December 2004.

### **3.7 Loss of Rs 1.44 crore due to over provisioning of specialized Oil-OX-320**

**Directorate General of Supplies & Transport (DGST) procured large quantities of oil-OX-320 having a limited shelf life without assessing the actual requirement.**

Oil-OX-320 is a lubricant used in tanks and artillery guns. Average annual consumption of OIL-OX-320 over the period of three years from 1998-99 to 2000-01

was 9,723 litres for all the five Army Commands in the country. The shelf life of the item is three years. Between October 2000 and February 2001, 86,872 litres of oil were procured by DGST through Defence Materials & Stores Research & Development Establishment (DMSRDE), Kanpur. As of March 2002, the stock held by all five Commands was 1,08,126 litres.

Despite such huge stock holding, DGST placed another supply order for 47,707 litres of oil costing Rs 81.35 lakh in January 2002, based on the demand projected by the five Army Commands for the year 2002-03. Out of the above quantity, 46,400 litres were for Western Command. In April 2002, DGST asked Western Command to review their abnormally high demand. In response, Western Command reported their requirement as 'nil' in May 2002. By October 2002, 6491 litres were supplied by the firm. After reviewing the stock position, DGST amended the supply order restricting it to 6491 litres.

At the present average annual consumption rate of 9658 litres, the entire quantity of oil would need 11 years to be consumed. At the same rate, in three years, from October 2002 to September 2005, 28,974 litres of oil would be consumed leaving a balance quantity 80,019 litres of oil costing Rs 1.44 crore which would be unfit due to expiry of its limited shelf life.

DGST stated in June 2004 that the Commands made the annual demand for the oil as per the scale authorised for the equipment held by them and consumption of oil was very less due to non-operation of most of these equipment. The contention is not tenable because propriety and prudence demand that requirement of an item should not be projected merely on the basis of scales but on actual need.

Thus, failure of Command HQ to assess the actual requirement of the item before placing the demands/orders resulted in a wasteful expenditure of Rs 1.44 crore on over provisioning of oil.

The matter was referred to the Ministry in September 2004; their reply was awaited as of December 2004.

### **3.8 Avoidable payment of container detention charges**

**Failure of Service Headquarters to send shipping documents to Embarkation Headquarters in time and delay by Embarkation Headquarters in completion of port formalities resulted in avoidable expenditure of Rs 1.04 crore on container detention charges.**

Avoidable payment of Container Detention Charges (CDC) for delayed clearance of consignments received by Embarkation Headquarters (EHQ), Mumbai from abroad was mentioned in Paragraph 30 of the Report of the Comptroller and Auditor General of India, Union Government Defence Services (Army and Ordnance Factories) for the year ended March 1997. Ministry, in November 2003, through their draft Action Taken Note assured timely despatch of documents to EHQ in future and to clear the consignments on indemnity bond if documents were not received in time.



The Ministry had issued instructions in March 1996 emphasising the need for the Service Headquarters to make available all the shipping documents at least 14 days prior to the arrival of vessels, for clearing the cargo within the stipulated free period.

Audit noted that EHQ Mumbai and Chennai paid a total amount of Rs 1.04 crore as CDC from March 1997 to April 2004 in 424 cases. Test check of 90 such cases revealed that in most of the cases CDC was paid due to delay in despatch of shipping documents by service Headquarters to EHQ as given below:-

EHQ	Period	Total No. of cases of payment of CDC	No. of cases test-checked	CDC paid due to delay in despatch of shipping documents by service HQ to EHQ		CDC paid due to other reason such as delay in completion of port formalities, non-availability of funds etc.	
				No. of cases	Amount (Rs in lakh)	No. of cases	Amount (Rs in lakh)
Mumbai	March 1997 to November 2003	373	79	68	81.02	11	5.65
Chennai	April 1999 to April 2004	51	11	08	1.08	03	0.34

In August 2004, EHQ Mumbai attributed the main reason for payment of CDC as late/incorrect receipt of documents. This contention is not tenable as in case the documents were not received the consignment could have been cleared on indemnity bond.

Thus, failure of contracting directorates of Service Headquarters/consignees in sending shipping documents in time and delay by the EHQs in fulfilling port formalities resulted in avoidable payment of CDC of Rs 1.04 crore.

The matter was referred to the Ministry in May 2004; their reply was awaited as of December 2004.

### **3.9 Diversion of Government revenue to non-public fund**

**In contravention of the Ministry's orders, Military Farms School & Centre, Meerut credited Rs 30.77 lakh in Non-Public Fund instead of Government Account.**

In December 1995, the Ministry revised the policy of cultivation of defence lands. These orders provided that the land intended to be put to cultivation/let-out for other commercial purposes was to be placed under the management of the Defence Estates Officer concerned and the total revenue realised was to be deposited in the Government treasury so as to form part of the Consolidated Fund of India.

Military Farms School & Centre, Meerut leased out 28.7 hectare of cultivable land to two private parties for the period July 1999 to May 2002 and again from June 2002 to

May 2005 instead of placing the same under the management of the Defence Estates Officer, Meerut. The lessees paid Rs 39.15 lakh against Rs 40.40 lakh due as lease rent from them leaving a balance of Rs 1.25 lakh unrealised as of August 2004. A sum of Rs 4.88 lakh out of the amount realised was deposited in Government account and Rs 3.50 lakh was paid to Uttar Pradesh Power Corporation Limited as electric charges in terms of lease agreements. The remaining Rs 30.77 lakh was credited to Regimental Funds. Thus, Rs 30.77 lakh deposited in Non-Public (Regimental) Fund instead of Government Account was not in order.

On being pointed out in audit, Military Farms School and Centre, Meerut agreed in February 2004 to credit Rs 30.77 lakh to Government Account and to realise Rs 1.25 lakh from the lessee and credit the same to Government Account. No action had been taken so far in this regard (August 2004).

The matter was referred to the Ministry in May 2004; their reply was awaited as of December 2004.