

CHAPTER IV : WORKS AND MILITARY ENGINEER SERVICES

4.1 Engineer Stores Depots

The two Engineer Stores Depots in Kankinara and Delhi Cantonment on which annual expenditure of Rs 6 crore are incurred failed to meet the demands of dependent units timely and effectively thereby affecting the performance of these units. The Engineer Stores Depot Kankinara held only 11 per cent of its authorised tonnage as of March 2004.

4.1.1 Introduction

Engineer Store Depots (ESD) are responsible for procurement, receipts and issue of equipment and plant (including spares), their stores, repair of backloaded equipment through the Army Base Workshops and disposal of discarded/surplus equipment and stores. The authorised holding of each ESD is 40,000 tonnes. As of March 2004 two ESDs were functioning and the annual establishment cost of these two ESDs during 1999-2000 to 2003-04 was about Rs 6 crore.

A study on the working of the two ESDs in Kankinara and Delhi Cantonment for the period 1999-2000 to 2003-04 carried out in audit during March 2004 to June 2004 revealed the following:-

4.1.2 Low capacity utilisation of ESDs

The average holding during 1999-2000 to 2003-04 in ESD Kankinara and ESD Delhi Cantonment were 14 per cent and 74 per cent of the authorised holding respectively as shown in the following table:-

Year	Actual holding			
	ESD Kankinara		ESD Delhi Cantonment	
	Tons	(%) w.r.t. authorised holding of 40,000 Tons	Tons	(%) w.r.t. authorised holding of 40,000 Tons
1999-2000	6800	17	28273	71
2000-01	6000	15	27268	68
2001-02	5500	14	26930	67
2002-03	5000	13	26940	67
2003-04	4500	11	37720	94

The stockholding of ESD Kankinara has been coming down steadily over the years. The Study Report on Non-field forces observed in 1997 that all the ESDs were underloaded and recommended disposal of surplus stores of ESDs on priority. The meager holding of ESD Kankinara includes obsolete stores transferred from ESD Panagarh and ESD Raipur on closure of those ESDs twenty years ago. Disposal of

these stores started during the last two years only and ESD Kankinara was still holding 645 tonnes of obsolete/non-moving stores. Engineer-in-Chief's (E-in-C) Branch stated in November 2004 that disposal action was under process. Headquarters, Eastern Command in August 2003 recommended disbandment of ESD, Kankinara so that its resources could be utilised gainfully elsewhere. Accordingly, the Army Headquarters approved disbandment of ESD Kankinara in December 2003 to be completed in two years. E-in-C's Branch of Army Headquarters however stated in November 2004 that the recommendation for closure of ESD Kankinara was not accepted. In May 2004, E-in-C ordered shifting of part of the work load of ESD Delhi Cantonment to ESD Kankinara. Though the redistribution would improve the stock holding in ESD Kankinara, the combined stock holding in both the ESDs would continue to remain low with reference to the authorised holding while ESD Kankinara would continue to incur Rs 3.61 crore per annum on salary and allowances.

4.1.3 Excess manpower in ESD Kankinara

The authorised strength vis-a-vis the posted strength of manpower in the two ESDs during 1999-2000 to 2003-04 was as under:-

Year	ESD Kankinara						ESD Delhi Cantonment.					
	Officers		Subordinate		DSC personnel		Officers		Subordinate		DSC personnel	
	Auth.	Held	Auth.	Held	Auth.	Held	Auth.	Held	Auth.	Held	Auth.	Held
1999-2000	17	14	553	492	113	109	12	7	376	229	57	52
2000-01	17	15	549	466	113	103	12	7	477	257	57	52
2001-02	17	12	560	424	113	112	12	7	480	264	57	52
2002-03	17	11	533	374	113	113	16	9	480	249	57	51
2003-04	17	11	562	337	113	113	18	9	480	299	57	54

It is seen that ESD Kankinara, which had major share of the manpower had only 14 *per cent* of the workload. In January 1998, Army Headquarters ordered reduction in the strength of officers of ESD Kankinara by three and subordinates by 53, but this reduction was not implemented. While ESD Kankinara was holding excess manpower, ESD Delhi Cantonment had shortage of manpower. There was no apparent logic to the distribution of manpower between the two ESDs.

4.1.4 Poor Inventory Management

Shortfall in stock verification

Regular stock-taking is an important function of stores management. E-in-C's standing orders require the Commandant to prepare a stock-taking programme on a monthly basis which would ensure that all items are verified once during the year. While ESD Kankinara carried out stock verification of all the items held by it, there was shortfall ranging between five to 38 *per cent* during 1999-2003 in annual verification by ESD Delhi Cantonment.

ESD Delhi Cantonment stated in August 2004 that the shortfall in stock verification was due to shortage of manpower.

The stocktaking revealed discrepancy in the stock of 59 items in ESD Kankinara. E-in-C's Branch stated in November 2004 that the discrepancy was due to theft

during 1997 and loss statement for sanction of the loss had been submitted to the competent authority.

Low demand satisfaction

Delay in registration of demands

The standing instructions allow 20 days time for dispatch of stores to units from the date of receipt of demand in the ESD. A review of the demands of units registered during January to March 2004 in the two ESDs revealed that 30 *per cent* of the demands were registered after more than one month of their receipt in the ESDs.

Delay in issue

In both the ESDs, there was substantial delay in issue of stores to units against their demands. Out of 1956 demands registered by ESD Delhi Cantonment during 2003-04, 253 demands were outstanding as on 19 November 2004. Similarly, out of 1738 demands registered by ESD Kankinara during 2003-04, 494 demands were outstanding as on 31 August 2004. Even some of the stores demanded as early as in April 2003 were not issued as of August 2004. ESD Delhi Cantonment stated in May 2004 that the delay was because of the lengthy procedure for placing supply orders. The Standing Provision Review Directives however require that the requirement of stores be reviewed plant-wise annually as per the time schedule laid down therein without waiting for the demands from units. Thus the ESDs failed to adhere to the time limit prescribed in the Standing Instructions for issue of stores to the user-units thereby affecting their performance. A few instances of failures in meeting the demands are given below.

- ❖ Out of 472 spares for excavator loader demanded by Army Base Workshop Delhi Cantonment for meeting the target for 2003-04, as many as 450 were not supplied by the ESD Delhi Cantonment. Similarly out of 390 spares for excavator engine demanded for executing the target for 2003-04, 123 were not supplied by the ESD Delhi Cantonment. The workshop had to procure the spares from trade.
- ❖ Out of 132 spares for JCB plant demanded by 153 Medium Regiment during June 2002 to April 2004, 100 were outstanding as of July 2004 when a non-availability certificate was issued by ESD Delhi Cantonment for this outstanding quantity.
- ❖ The ESDs failed to supply spares to the Army Base Workshops as a result of which the workshops could not achieve their annual target for certain plants for the year 2003-04. The shortfall was to the extent of 15 *per cent* to 83 *per cent*.

ESD Delhi Cantonment stated in May 2004 that on receipt of demand from the workshop, the available stores were immediately issued but procurement action itself took four to six months time and that non-availability certificates were issued when stores could not be issued within the time frame.

Over provisioning/over issue of stores

During May 2003 to March 2004, ESD Delhi Cantonment procured 39 sets of special maintenance tools (SMT) for repair/overhaul of crawler tractor at a cost of Rs 9.27 crores for issue to Field Repair Workshops/Base Repair Workshops etc as per the authorisation. Of these, 11 sets valuing Rs 2.64 crore were procured in excess of authorisation of the units. Five sets valuing Rs 1.2 crore were issued to units in excess of the authorised scale. ESD Delhi Cantonment stated that corrective action was being taken and three over provisioned SMTs would be issued to units who had not already been issued SMTs.

4.1.5 Summing up

Keeping in view the easy availability of engineer stores/equipment in the civil sector, the continuance of ESD Kankinara with low workload and low efficiency is a drain on scarce resources which could be used gainfully elsewhere. The annual expenditure on ESD Kankinara holding lower inventory is about Rs 3.6 crore while that of Delhi Cantonment is Rs 2.4 crore. The obsolete/non-moving stores held by the ESD Kankinara need to be disposed off on priority. Timely supply against demand also needs to be ensured.

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

4.2 Extra expenditure due to delay in implementing 'Fast Track Procedure'

Military Engineer Services failed to accept the tenders for married accommodation projects within the time stipulated under the Fast Track Procedure leading to re-tendering and resultant extra expenditure of Rs 1.44 crore defeating the very purpose of Fast Track Procedure.

Ministry of Defence laid down Fast Track Procedure (FTP) in April 1997 for construction of selected married accommodation of the Army costing above Rs 75 lakh. The objective of FTP was eliminating delays and ensuring planning and execution of projects in a time-bound manner.

FTP stipulates a validity period of 90 days for tenders to have some cushion for any unforeseen delays during scrutiny and approval of estimates. Following evaluation of tenders, a period of nine weeks is assigned for obtaining administrative approval of the competent authority.

Audit scrutiny of works related to construction of married accommodation executed under FTP revealed that in four cases, re-tendering was resorted to for the reasons

indicated against each as below:

Name of project (Tendering authority)	Original lowest tender	Lowest in re-tendering	Extra expenditure	Reasons for re-tendering
	(Rupees in crore)			
Provision for 10 Majors, 4 Captains and 60 ORs at Kamptee <i>CE (Fy.) Hyderabad</i>	3.01	3.53	0.52	Non-adherence to time schedule for evaluation and acceptance of tenders
Provision for 8 Majors and 104 ORs at Bhopal <i>CE Jabalpur Zone</i>	4.07	4.56	0.49	
Provision for 32 Majors and 180 ORs at Meerut <i>CE Bareilly Zone</i>	9.45	9.64	0.19	
Provision for 24 ORs at Rangapahar <i>CE Shillong Zone</i>	1.36	1.60	0.24	Inclusion of loose furniture in tender for building work
Total			1.44	

As a result, an extra expenditure of Rs 1.44 crore had to be incurred.

Further scrutiny of the cases revealed that delays in issue of Administrative Approval were attributable to:

- ❖ Delay in submission of cases by Chief Engineer;
- ❖ Raising of observations in a piecemeal manner by the Engineer-in-Chief and Command Chief Engineer; and
- ❖ Delay in furnishing the replies to the observations.

Due to this, the validity period of the existing tenders expired requiring re-tendering. Thus, the main objective of sanctioning the work under FTP was defeated.

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

4.3 Irregular payment of electricity duty

In violation of provisions of Constitution of India, a Garrison Engineer paid Electricity Duty of Rs 75.34 lakh on consumption of electricity by Defence Establishments.

Mention was made in the Report of the Comptroller and Auditor General of India, Union Government Defence Services (Army and Ordnance Factories) for the year ended March 1989 regarding payment of Electricity Duty (ED) to Punjab State Electricity Board (PSEB) for electricity supplied to the Military Engineer Services (MES) and consumed by Defence Establishments in contravention of the provisions of Article 287 of the Constitution. In July 1989, Army Headquarters Engineer-in-Chief Branch New Delhi issued instructions to all MES formations to ensure that

violation of the provisions of Article 287 of the Constitution of India does not take place. Further in August 1995, Ministry of Defence clarified that exemption from ED/tax under Article 287 of Constitution of India in respect of electricity consumed by Government of India or sold to Government of India for consumption by the Government is only applicable to Government of India offices/establishments, etc. and is not extendable to consumption of electricity for domestic purposes by the employees of the said Government.

At Ferozpur Cantonment, up to July 2002, PSEB billed ED to MES on domestic consumption only. In August 2002, Government of Punjab revised the rate of ED to five *per cent ad valorem* on sale of power charges with effect from 01 August 2002 which was intimated to all by PSEB on 13 August 2002. Based on the revised rate of ED, PSEB floated the electricity bills from August 2002 onwards levying the ED on total consumption which included electricity consumed for non-domestic purpose. Non-domestic consumption was assessed as 97.51 *per cent* of the total consumption, the rest being domestic consumption only. The entire demand on ED was paid by Garrison Engineer (East) Ferozpur (GE) from August 2002 to January 2004. The total irregular amount towards payment of ED on non-domestic purposes worked out to Rs 75.34 lakh.

After this was pointed out by Audit in August 2003, GE intimated in April 2004 that PSEB discontinued charging ED after January 2004 and agreed in principle to refund the extra amount paid by default to them.

Thus, despite constitutional provisions and Ministry of Defence clarification, GE paid ED amounting to Rs 75.34 lakh irregularly on electricity consumed for non-domestic purposes.

While accepting the facts, Ministry admitted (August 2004) that the load agreement of electric supply at Ferozpur Station was common for domestic and non-domestic consumption and after being pointed out by audit they took up the matter with PSEB authorities in November 2003/February 2004 for refund/adjustment of the excess payment made; the final outcome was awaited.

4.4 Overpayment to contractors

Negligence of Garrison Engineer, Mathura, in pricing Deviation Orders led to overpayment of Rs 52.91 lakh to contractors.

The Chief Engineer (CE), Lucknow Zone, concluded two contracts, one for construction of radial well, approach bridge and connected works at Mathura and another for provision of water storage underground sumps and connected building works at Mathura in April 1996 at a total cost of Rs 9.01 crore. The works were completed in July/October 1999.

Regulations for the Military Engineer Services provide that deviations on a contract be authorised only by the officer who accepted the contract unless such powers have been delegated. Deviation orders would clearly state how deviations are to be

measured and priced. Audit scrutiny of records revealed that during execution of works Garrison Engineer, (GE) Mathura, allowed 33 deviations between February 1997 and April 2000 in execution of works in both the contracts, involving additions/omissions of certain works. The deviations were allowed without the prior approval of the CE in disregard of the rules.

Subsequently, between May 2000 and August 2002 the deviations were formally approved by the CE. GE had overpriced the plus deviations by Rs 24.58 lakh and under priced the minus deviations by Rs 28.33 lakh resulting in overpayment/under-recovery of Rs 52.91 lakh, thereby giving undue benefit to the contractors. Demands for recovery of Rs 50 lakh (approximately) were placed on the contractors in January 2002/March 2002 but the amount had not been recovered and was under arbitration as of August 2004.

Headquarters, Uttar Bharat Area, in July 2002 ordered a staff Court of Inquiry to investigate the irregularities committed in overpayment relating to contract for the construction of radial well at Mathura. The Court of Inquiry was required to be completed by August 2002. The Court of Inquiry was still under process with HQ Central Command as of July 2004.

Ministry stated in July 2004 that the final bills for both the contracts were being checked.