CHAPTER III : ARMY

3.1 Unwarranted procurement of Radio Sets for trial purposes

Army HQ procured 322 radio sets valuing ₹21.90 crore in excess of the requirement for field trials in 2006. These sets procured for Armoured Fighting Vehicles were not used for the trials and require an up gradation to make them compatible with the Star V Mark II specification, which entails an extra expenditure of ₹11.27 crore.

Composite Net Radio (CNR) Sets (Radio Sets) are used for voice and data communication in Armoured Fighting Vehicles (AFVs). Based on the sanction accorded by Ministry of Defence (MoD) in May 1992, for an amount ₹ 1.73 crore, Defence Electronics Applications Laboratory (DEAL), Dehradun and M/s Bharat Electronics Limited, Panchkula (BEL) had jointly undertaken the development of CNR sets for Military operations. The scope of the project was to fabricate and evaluate 5W/50W frequency hopping radios in VHF band. DEAL developed the radio sets at a cost of ₹ 3.41 crore and the project was closed in March 2002, though it did not fully meet the user requirement. These sets developed by DRDO therefore, remained under series of trials between 1999 and 2003 but could not be cleared.

Against the requirement of 15,572 radio sets, DPB had recommended procurement of 7,786 radio sets from DRDO in October, 2001. It was also recommended that initially an order be placed on BEL for 2000 radio sets, to be supplied within a period not exceeding nine months. Given the fact that the trials had not been fully completed even after successful completion of the project, it was decided by the Army HQ, in November 2003, that initially 500 sets be procured for extensive field trials, and the remaining 1500 sets be procured only after the equipment was declared successful in trials.

Defence Procurement Procedure (DPP) prescribes that vendor shall be asked to provide the desired number of units of equipment for field trials. We however observed that in March 2005, Army purchased 500 radio sets for the trial purposes, which was 25 *percent* of the total requirement (2000 sets). There were no documented reasons available in the records, which justified the necessity for procurement of 500 radio sets, worth ₹ 34 crore, for trial purposes. Given the procurement of an unduly higher number of radio sets for trials, audit examined the actual usage of these sets and observed that out of the total number of 500 sets of VHF 5W/50w procured at a total cost of ₹34 crore, only178 numbers of the radio sets were issued for trials purposes. As per the records maintained by the holding depot i.e. Central Ordnance Depot (COD) Agra the balance quantity of 322 numbers valuing ₹21.90 crore was not issued at all and were held at their stock.

We further observed that by the time the trials were successfully completed in 2008, the radio sets had undergone up gradation and BEL had produced the radio sets of Star V Mark II version. It was therefore decided by Army HQ that all the radio sets to be inducted should be of Mark II version and those held in the stock be also upgraded, to be made compatible to Star V Mark II specifications.

Accordingly, the Army procured the balance 1500 numbers of radio sets of Mark-II version from BEL in February 2010. The cost of procurement of Mark-II version in 2010 was same as that of Mark-I version in 2005.

In order to upgrade the 500 radio sets previously supplied in June 2006, BEL in April 2014, intimated to DGMF that for making these sets compatible with Star V MK-II specifications, almost 80 *per cent* of the Printed Circuit Boards (PCB)/Hardware needs to be replaced and major modification needed to be carried out. For this, BEL made a budgetary quotation for retro modification at ₹3.50 lakh per unit (April 2014). While the decision on retro modification of 500 radio sets was still under consideration, these sets were lying unutilized in COD Agra awaiting their further use (March 2015).

The case therefore reveals that, the procurement of 500 radio sets for field trials were in excess of the desirable requirement, as only 178 sets were actually utilised for trials. The excess number of 322 radio sets valuing ₹21.90 crore which were held in stock without any use since their procurement in June 2006, would also need retro modification entailing an expenditure of ₹11.27 crore. This amount was avoidable, had the number of radio sets for field trial been procured rationally on the basis of actual need.

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

3.2 Irregular attachment of service personnel with private institute

While Army College of Medical Sciences was in the process of establishing its own teaching facilities, Ministry sanctioned the use of part faculty from Government run hospitals, for a period of five years. Army Headquarters however attached service personnel for clerical jobs from various Corps/units, which were not covered under the Ministry's sanction.

Army College of Medical Sciences (ACMS) New Delhi is a professional institute, running under Army Welfare Education Society (AWES)[11], for the

[11]An organization established under Societies Registration Act XXI of 1860 under Adjutant General's Branch at Army Headquarters.

wards of serving and retired personnel of Indian Army. The college was opened in 2008 for its first batch of MBBS students.

To facilitate establishment of the College and to provide support with regard to faculty, it was decided by the Ministry with the approval of Raksha Mantri in February 2008, to permit use of part faculty of Armed Forces Medical Services (AFMS) and the facilities of Base Hospital and Army Hospital (R&R), Delhi Cantt subject to the following conditions:

a) The services of Major General and faculty of AFMS would be used for least possible time not exceeding five years from the start of the college.

b) The AWES should take action to recruit its own faculties within the five years.

c) The facilities of the Base and R&R Hospitals would be used for a period not exceeding five years.

We however noticed (July 2015) during the audit of Base Hospital, Delhi Cantt (BHDC) that Adjutant General's (AG) Branch, Integrated Headquarters (IHQ) of Ministry of Defence (Army) had issued sanctions for attachment of Personnel Below Officers Ranks (PBORs) with the ACMS during 2010-11 to 2014-15. These PBORs ranging from 38 to 61 per year were attached with ACMS from different Corps/Units of Army for the clerical, store keeping, housekeeping jobs etc.

During the five years period (2010-2015), the total number of such personnel attached with the ACMS aggregated to 276. Since the college is not a bona-fide Government institution, the attachment of these service personnel, who were on the regular pay rolls of the Army, was not in order.

In reply to the audit query about the irregular attachment of PBORs, BHDC stated (November 2015) that the attachment was done on the basis of permission accorded by the Ministry in February 2008, for use of part faculty of AFMS and facilities of Base Hospital, Delhi Cantt for ACMS.

The reply furnished was not factually correct as the sanction accorded by the Ministry was for use of faculty for training of the students of ACMS and not for attachment of PBORs for clerical, store keeping and housekeeping duties etc.

Further, Army HQ (AG's Branch) replied in May 2016 that the Ophthalmology Department of BHDC was shifted temporarily to the Academic Block of the ACMS in the year 2014 and the attachment of manpower at BHDC was put to use as the Department had to function independently away from the hospital. It was also added that the combatants so attached to ACMS also performed their professional duties at BHDC afterwards.

The reply by Army HQ was not justified as the shifting of Ophthalmology Department of BHDC was done in 2014, that too on temporary basis, whereas the practice of attachment of PBORs from different Corps/Units of Army with ACMS continued from 2010-11. Further the practice of performing duties both at BHDC and ACMS was not appropriate.

Hence, the attachment of 276 PBORs for other than bona fide government duties to ACMS was unauthorised. Army HQ may therefore take corrective measures and ensure that the service personnel are not attached to private institutes.

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

3.3 Irregular sanction of an additional laundry facility

General Officer Commanding, Maharashtra, Gujarat and Goa Area accorded 'Go-ahead' sanction on 'urgent operational' grounds for additional laundry facility of 300 Kg capacity at a cost of ₹1.21 crore. The additional requirement was created by enhancing the 'norm' and the work sanctioned by evading reference for approval of the competent financial authority.

Defence Works Procedure (DWP), 2007 stipulates that if additions become necessary to the already sanctioned works due to revision of scales or establishments or for other specific administrative reason, a supplementary estimate will be prepared and revised administrative approval obtained from the competent financial authority to the entire work, including both original and supplementary estimates.

Ministry of Defence (Ministry) accorded a sanction in October 2008 for construction of new Command Hospital, Southern Command (Command Hospital) at a cost of ₹270.77 crore, which included provision of mechanical laundry of 400 Kg capacity costing ₹1.54 crore. To cater for the requirement of additional items of works projected by the users, which were not initially in the original sanction, the Administrative Approval was revised to ₹382.37 crore in December 2012.

To execute the work, Chief Engineer Pune Zone (CEPZ) concluded (January 2013) a contract with M/s Omaxe Infrastructure and Constructions for an amount of ₹338.79 crore, which included supply and installation of mechanical laundry of 400Kg at a cost of ₹3.72 crore. The progress of the work was 27 *per cent* (December 2015) as against the scheduled completion date of August 2015.

Even before the revised administrative approval was accorded (December 2012), Command Hospital initiated a separate proposal in June 2010 for enhancing the capacity of the laundry by increasing the average laundry load from the already sanctioned 3Kg/bed/day to 5Kg/bed/day. The case was, therefore, taken up by Command Hospital for provision for an additional capacity of 300Kg on "urgent operational grounds". This increase in the capacity was however, sought by enhancing the norm. The General Officer Commanding, Maharashtra, Gujarat and Goa Area (GOC) accorded (June 2010) a 'Go-ahead' sanction invoking Para 35 of DWP[12], for enhancing the capacity of laundry services at Command Hospital at an estimated cost of ₹1.21 crore. The work was executed by CEPZ at a cost of ₹1.07 crore (May 2012) i.e, seven months before the contract for hospital building was concluded.

We observed that the sanction accorded by the Ministry in 2008 was based on the recommendations of a Board of Officers (Board) that was presided over by an officer from the Command Hospital. Since no scales for laundry equipment existed, the Board considered the laundry facility of another 600 bedded military hospital at Pune i.e. Military Hospital (MH) Cardiac Thoracic Centre (CTC) as the norm. With 250Kg capacity and eight hours running per day, the load worked out to about 3Kg/bed/day and therefore, a laundry machine of 400Kg/hour capacity for the new 1097 bedded hospital (CHSC), was sanctioned by the Ministry in 2008. Notwithstanding the fact that Ministry had approved the norms of 3Kg/bed/day while according the sanction, GOC in June 2010, revised the load to 5Kg/bed/day and accorded sanction for an additional laundry of 300Kg capacity.

We observed that in the absence of any scales, the norm of 3Kg/bed/day was recommended by the Board and approved by the Ministry based on the load in MH CTC. Audit enquiry also revealed that in other military hospitals *viz* MH Kirkee, Trivandrum, Golconda and Cannanore, '*per bed per day*' load was less than 3Kg. Hence, the sanctioning of additional laundry at a cost of ₹ 1.21 crore, by enhancing the norm from 3Kg to 5Kg/bed/day, by a lower CFA was irregular. Further, the case did not qualify for sanction under para 35 of DWP.

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

[12] Para 35 of DWP is invoked in case of unexpected circumstances arising due to unforeseen operational necessity or urgent medical grounds, which make it imperative to short-circuit normal procedure.

3.4 Recoveries/savings and adjustment in accounts at the instance of Audit

Based on audit observations, the audited entities had recovered overpaid pay and allowances, sundry charges, training charges, cancelled irregular sanctions and amended annual accounts, having a net effect of ₹184.73 crore.

During the course of audit, we observed several instances of irregular payments,under/non-recovery of charges, issue of irregular sanctions and accounting errors. Acting on the audit observations, the audited entities took corrective action, the net effect of which is summarized below:

Recoveries

The check of records of Defence Research and Development Organisation (DRDO), Principal Controllers of Defence Accounts, Military Engineer Services (MES), Defence Institute of Armament Technology, units/formations of the Army, Pay and Accounts Offices, Canteen Stores Department (CSD) Head Office (HO) *etc* revealed instances of irregular payment of pay and allowances, sundry charges, non recovery of training charges, irregular reimbursement of electric charges amounting to ₹35.87 crore **(Annexure-VI)**. On being pointed out, the entities concerned recovered the irregular payments

Savings

Various sanctioning authorities such as the Principal Controller of Defence Accounts, Sub-Area HQ of the Army, DRDL, *etc* cancelled irregular approvals to works, amended Terminal Gratuity Claims and restricted CGEIS claims. Director, Defence Research & Development Laboratory cancelled the supply order. The net result of these actions was a saving of a total of ₹8.36 crore (**Annexure-VII**).

Amendment to Annual Accounts of CSD

When we pointed out instances of irregular accounting such as under provisioning of freight charges, Sundry Creditors, understatement of outstanding liabilities and less provisioning of doubtful debts during the years 2012-13 & 2013-14 and Overstatement of Assets towards Closing Stock and receivables due to outstanding Value Added Tax refund claims for the years 2012-13 & 2013-14, the CSD corrected the annual accounts. But for these corrections, profit would have been inflated to the extent of ₹281 crore. As 50 *per cent* of the profit is distributed amongst the three services and other beneficiaries, the net savings to the Government was ₹140.50 crore **(Annexure-VIII)**.