

OVERVIEW

This Report contains the results of audit of the financial transactions for the year ended March 2015 and performance reviews of projects/schemes of Ministry of Defence pertaining to Army, Ordnance Factories, Department of Defence, Department of Defence Production, Defence Research and Development Organisation, Military Engineer Services and Border Roads Organisation.

The significant audit findings as brought out in the report are summarised as follows:

Functioning of Director General Resettlement

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.

(Paragraph 2.1)

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 March 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.

(Paragraph 2.2)

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.

(Paragraph 2.3)

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 amount of field allowances in excess of exemption limit paid to Junior Commissioned Officers in the Army. The amount of such unrecovered tax worked out to ₹5.05 crore for the period from 2008-09 to 2012-13.

(Paragraph 2.4)

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.

(Paragraph 3.1)

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.

(Paragraph 3.2)

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.

(Paragraph 3.4)

Inordinate Delay in completion of works sanctioned for operational military requirements

Inordinate delay of ten years in construction of an underground operation theatre (UGOT) by Military Engineer Services denied the facility to troops in operations. The work was sanctioned for operational military requirements of a Military Hospital (MH) and was completed at a cost of ₹1.54 crore, after the MH had already moved to a different location. The assets are now lying unutilized.

(Paragraph 4.1)

Improper selection of sites for bridges

Selection of sites without carrying out sub soil investigation (SSI) by Headquarters Director General Border Roads resulted in subsequent foreclosure of work after the soil strata was found unfit for construction of bridges. Non compliance of specific instructions for carrying out SSI resulted in wasteful expenditure of ₹2.53 crore.

(Paragraph 5.1)

Procurement of Cranes without proper need assessment

Against a demand for two lattice cranes, Director General Border Roads procured seven cranes of the capacity more than double of what had been demanded and approved for various Border Road Projects. Due to sheer size and absence of adequate necessity, the cranes procured in 2012 at a cost of ₹6.81 crore remained underutilized to an extent of 86 per cent.

(Paragraph 5.2)

Infructuous procurement of material

Defence Research and Development Laboratory procured 1329 Kg of C-103 material valuing ₹4.83 crore, for development of the scramjet project despite being aware that C-103 material would not resist the high

temperature generated in the scramjet engine. The procurement was unwarranted and eventually proved wasteful.

(Paragraph 6.2)

ORDNANCE FACTORY ORGANISATION

Extra expenditure due to delay in placement of order

Delay in finalization of the import order due to slippages at various levels of the factory and the Board resulted in extra expenditure of ₹4.58 crore in Gun Carriage Factory for procurement of 25 fully formed guns at a higher rate.

(Paragraph 7.2)

Loss of savings due to failure to procure and install equipments

Failure of OFBL to timely procure and integrate (i) Computed Radiography System and (ii) LINAC machines led to consumption of costly X-ray films and chemical towards X-raying of filled shells, resulting in loss of opportunity to effect savings to the tune of ₹4.62 crore.

(Paragraph 7.3)

Failure to operationalise a machine

Acceptance of a Machine valuing ₹6.32 crore by Vehicle Factory, Jabalpur without proving the Machine for performance and subsequent neglect in preventive maintenance resulted in its breakdown since June 2012.

(Paragraph 7.4)

Blocking up of inventory due to non-replacement of rejected fuses

Failure of Ordnance Factory Chanda to invoke and follow-up on the remedial provisions of the contract on supply of fuses resulted in holding of rejected fuses worth ₹6.05 crore.

(Paragraph 7.6)

DEFENCE PUBLIC SECTOR UNDERTAKINGS

Delay in supply by Defence Public Sector Undertakings (DPSUs)

Inordinate delay in supply of critical weapons and equipment by Defence PSUs during XI Army Plan (2007-12), hampered the modernisation and capability enhancement plan of Indian Army. Audit observed that contracts valuing ₹30038 crore which account for 63 *per cent* of the total value of DPSUs contracts concluded by the Ministry during XI Army Plan, were delayed. Major reasons for delay were undue time taken in development, delay in successful evaluation of pilot sample, heavy dependence of DPSU on foreign vendors, ambiguity in contractual terms, *etc.* Besides impacting the Defence preparedness, the delay had financial implications towards loss of interest on payments made to DPSUs. The objective of self reliance in defence production had also not been achieved.

(Paragraph 8.1)

Avoidable loss due to non-availing of Customs Duty Exemption - Mishra Dhatu Nigam Limited

Failure on part of Mishra Dhatu Nigam Limited to avail exemption and resorting to pay first and claim refund later which was unsuccessful resulted in avoidable extra expenditure of ₹1.30 crore.

(Paragraph 8.2)