

OFFICE OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA
10, BAHADUR SHAH ZAFAR MARG

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C & AG's Audit report on Union Government (Defence Services) Army presented in Parliament.

Audit Report No.16 of 2019 – Union Government (Defence Services)-Army for the year ended March 2018 has been laid on the table of both Houses of Parliament. This Report contains the results of audit of the financial transactions of Ministry of Defence pertaining to Department of Defence, Army, Military Engineer Services and Defence Research and Development Organisation in 2017-18.

Significant audit findings of the Report are given below:

Provisioning, procurement and issue of High Altitude Clothing, Equipment, Ration and Housing

Troops in high altitude areas such as Siachen, Ladakh *etc* need to be provided High altitude clothing, equipment, special ration and housing facilities to enable the troops to effectively with stand the inclement weather and ailments caused from extreme cold weather conditions. Performance Audit findings of provisioning and procurement of these items during the period 2015-16 to 2017-18 are given below:

Clothing and Equipment – There were delays in procurement of high altitude clothing and equipment items up to four years leading to acute shortage of essential clothing and equipment items. There was critical shortage in snow goggles ranging from 62 *per cent* to 98 *per cent*. The troops were not issued ‘multi-purpose boots’ from November 2015 to September 2016 and had to resort to recycling of available boots. Further, old versions of items such as face mask, jacket and sleeping bags were procured which deprived the troops from the benefits of using improved products. Lack of research and development by defence laboratory led to continued dependence on import.

Special Ration- Special scales of ration are authorized to the troops to meet their daily energy requirements. However, substitutes *in lieu* of scaled items were authorized on “cost to cost” basis which resulted in supply of reduced quantity of substitutes. This compromised the calorie intake of the troops by as high as 82 *per cent*. At Leh station in one instance it was noticed that the special ration items were shown as issued to troops for consumption without their actual receipt.

Housing- Project for improvement in housing conditions of troops in high altitude area was executed in an *ad hoc* manner. In the first two phases of Pilot project extensive summer/winter trials were conducted. The third phase constituted confirmatory trial, at a cost of ₹63.65 crore. This was avoidable, since the first two phases were exhaustive. Further, the sanction by the competent authority for the main project was not obtained.

Handing over assets created under pilot project to the units got delayed much beyond stipulated time frame, depriving users of resources which were already scant in challenging climatic conditions. There were discrepancies between the assets shown in Numerical Asset Register and assets on the ground.

(Chapter- 2)

Inordinate delay in setting up of Indian National Defence University (INDU)

The Kargil Review Committee in 1999, recommended setting up of a University to address deficiencies in India's Security Management System. The Union Cabinet accorded (May 2010) in-principle approval for setting up of Indian National Defence University (INDU) in Gurgaon, Haryana at an estimated cost of ₹395 crore.

The land was acquired in September 2012, however, setting up of INDU is yet to fructify even after two decades of Kargil War. The cost of the project was also revised from ₹395 crore (May 2010) to ₹4007.22 crore (December 2017) i.e. an increase of 914 per cent. Draft IDU legislation was still (August 2019) lying pending for approval with Cabinet Secretariat since December 2017.

(Paragraph 3.1)

Delay in renewal of leases pertaining to Defence land led to a pecuniary loss of ₹27.42 crore

Ministry of Defence had not finalized the policy for renewal of leases of Defence Land leased to Sports and Recreational Clubs as of June 2018. There were delays in renewal of leases in respect of (a) Residency Club, Pune (**13 years**); Union Gymkhana Club, Belgaum (**6 years**); Belgaum Club (**6 years**); Ahmedabad Gymkhana Club (**26 years**) and Eden Gardens Kolkata to Cricket Association of Bengal (**7 years**).

These Clubs continued to be in unauthorised occupation of the defence land and using it for commercial purposes. The delay in finalisation of policy for renewal by the Ministry also led to loss of interest on arrears of lease rent to the Government of ₹ 27.42 crore.

(Paragraph 3.2)

Acceptance of banned ammunition valuing ₹39.04 crore

Master General of Ordnance (MGO), Army Headquarters decided (December 2014) to stop production of an anti-aircraft ammunition as an accident had happened with the ammunition lot of June 2012. The production of the ammunition was to be stopped till finalisation of defect investigation and manufacture process audit report. Commencement of production was ordered by MGO in September 2015.

However, in August 2015, before order of MGO regarding commencement of production, Ordnance Factory Khamaria (OFK) supplied 52,549 numbers of ammunition costing ₹39.04 crore to Army. Ammunition was accepted by Central Ammunition Depot (CAD) and issued to user units. Army in August 2018 approached OFB for free replacement of ammunition as the entire quantity had been issued during the ban period. The replacement

of balance holding of affected ammunition had still not been carried out even after three years of receipt of ammunition in CAD in August 2015.

(Paragraph 4.2)

Sub-standard construction of Other than Married (OTM) accommodation and perimeter road

Lack of effective supervision and technical inspections by authorities of Military Engineering Services (MES) led to sub-standard constructions, resulting in unfruitful expenditure on construction of (a) OTM accommodation of ₹6.86 crore for Army Workshop at Suratgarh, (b) OTM accommodation of ₹7.77 crore for Military Hospital at Bikaner and (c) Perimeter road ₹2.37 crore at Military Station, Banarwith further liability of ₹1.30 crore on account of rectification cost. The assets so created could not be put to use for the intended purposes.

(Paragraph 5.3)

Transfer of Technology in development of composite materials and critical technology at Defence Metallurgical Research Laboratory (DMRL),Hyderabad

Defence Metallurgical Research Laboratory (DMRL), Hyderabad is a premier centre of Defence Research and Development Organisation (DRDO) for research and development in metal, alloys, ceramics and composites. During the period from 2004-05 to 2015-16, DMRL completed 22 projects for Research and Development. Out of them, DMRL concluded only two Transfer of Technology (ToT) agreements with Industrial Partners for full scale production. However, neither of these two ToTs culminated in full scale Industrial scale production.

(Paragraph 6.2)

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