

CHAPTER XI: MINISTRY OF HOME AFFAIRS

11.1 Procurement of Training Armaments: Payment without receipt of supply

Central Ordnance Depot, Jabalpur had not supplied Self Loading Rifles worth Rs 12.71 crore to Border Security Force despite advance payment made in September 1993.

Provisioning Directorate of the Directorate General, Border Security Force (BSF) issued, in May 1993, a sanction for incurring an expenditure of Rs 14.32 crore for the purchase of 8000 Self Loading Rifles (SLRs), costing Rs 12.71 crore and other weapons costing Rs 1.61 crore from the Central Ordnance Depot (COD), Jabalpur.

The Directorate General, BSF deputed an inspection team to the COD, Jabalpur in May 1993 itself for inspection of the weapons allotted to the BSF. The inspection team intimated that 60 *per cent* of the SLRs allotted were of an old brand and reconditioned, and hence were not acceptable. Despite the intimation of the inspecting team, the sanctioned amount was drawn in full and paid as advance to the COD, Jabalpur in September 1993. The BSF collected other weapons costing Rs 1.61 crore leaving aside the SLRs and the magazines and claimed a refund of Rs 12.71 crore. In January 1996, the Ministry of Home Affairs (MHA) intimated that the Ministry of Defence (MOD) had again offered 8000 new brand SLRs against advance payment at the old rates and asked the BSF Directorate to detail a technical team to carryout the inspection of the equipment being offered to them. The detailed technical team on inspection again found that weapons were not brand new, but were of 1977-79 manufacture and did not carry proof marks. Accordingly the BSF in February 1996, rejected the offer and insisted on its claim for the refund of the balance amount of Rs 12.71 crore lying with the COD, Jabalpur since September 1993. As no favourable response was forthcoming from the COD, Directorate General, BSF submitted a fresh proposal to the MHA (Prov-II) in December 1998 for purchase of 7.62 mm BDR/CTN ammunition from the COD, Jabalpur costing Rs 12.71 crore in place of SLRs as the BSF was facing acute shortage of this ammunition required for the training of the troops. Due to shortage of weapons and ammunitions the BSF carried out an analysis on operational implications and reduced the scale of training ammunition to less than 50 *per cent*. The BSF neither received alternative supply of 7.62 mm BDR/CTN ammunition worth equivalent to the advanced amount of Rs 12.71 crore nor did the COD refund the amount as of November 2000.

As the inspection team of the BSF had already reported in May 1993 that the SLRs available with the COD were reconditioned, the drawal and remittance of advance for the entire amount of Rs.14.32 crore in September 1993 was ill-advised.

The Ministry stated in November 2000 that the BSF made advance payments of Rs 12.71 crore to the COD, Jabalpur only after issue of instructions by the Army Headquarters to the COD, Jabalpur to release brand new weapons to the extent of availability. Reply of the Ministry is casual to the point of being evasive. It does not explain the impact of scaling down, nor does it explain how the COD went on offering cannibalised and unmarked arms and ammunitions with impunity. In particular the matter of stockpiling and disposal of old, sub-standard, cannibalised, unmarked arms and ammunitions calls for a full scale investigation.

11.2 Mis-investment of Welfare Funds

Director General, Central Reserve Police Force mis-invested Rs 1.62 crore of the Welfare Funds of Central Reserve Police Force.

Central Reserve Police Force (CRPF) Welfare Fund Rules provide that all moneys of the Fund shall be invested in Postal Cash Certificates or other Government Securities or Fixed Deposits with the State Bank of India or in any Government owned public enterprises except such amount as may be required for current working expenses, which shall be placed in an account with the State Bank of India.

CRPF started making investments/re-investments of Welfare Funds in Cement Corporation of India (CCI), from May 1987 and onwards. On the last occasion CRPF re-invested the Welfare Funds amounting to Rs 1.05 crore in the shape of three Cumulative Deposits Receipts (CDRs) made on 9 July 1993, 27 July 1993 and 31 May 1994 for a period of three years. The financial position of CCI during 1991-94 was not sound as the losses had accumulated upto Rs 178 crore by the end of 1991-92 which had risen upto Rs 377 crore by the end of 1993-94. Though the dates of maturity of these CDRs expired on 9 July 1996, 27 July 1996 and 31 May 1997 respectively, CCI could not discharge the matured value of Rs 1.62 crore (Principal: Rs 1.05 crore; Interest: Rs 56.82 lakh) as of October 2000. Given the sickness of CCI and its referral to Board of Industrial and Financial Reconstruction (BIFR) on 25 April 1996, the recovery of the amount deposited is doubtful in near future.

The decision of the Director General, CRPF to invest the proceeds of the funds with CCI was based on the recommendations of the Committee for premature discharge/re-investment of existing cumulative deposits which included Financial Advisor as Convener. At no point of time did the Committee which included Financial Advisor considered the financial status of CCI, which is a precondition for an investment decision. Thus, the flawed decision deprived the Welfare Funds of the premier national paramilitary force, of a large corpus

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of money for over six years, with dim prospects of its recovery. The matter needs investigation.

The Ministry confirmed the facts in November 2000 and stated that they have issued instructions to all the units to assess the financial status of Public Sector Undertakings (PSUs) before investing funds therein and have since requested the Ministry of Industry to arrange release of the blocked funds from CCI on an over-riding priority basis as a special case

11.3 Undue financial benefit and acceptance of sub-standard cloth for Assam Rifles

There was undue financial benefit of Rs 50.55 lakh to the supplier owing to acceptance of cloth not in conformity with the approved sample.

In pursuance of the practice to procure the clothing of Assam Rifles through Ministry of Home Affairs (Procurement Wing) (MHAPW) and Director General of Supplies and Disposal (DGS&D), the Director General, Assam Rifles (DGAR), Shillong placed (January 1997) an indent to MHAPW for 5,47,704 metre of cloth cotton disruptive pattern (vat printed on mineral khaki base) of 71 cm wide as per IS: 1771989 (variety No.3). To compare the bulk supply as per the specification, the contractor before commencing the bulk supply was to submit three advance samples (1.5 metre) duly checked by the Director, Quality Assurance (DQA) of which one to be returned to DQA duly approved by the indenter, other to the consignee and the third to be retained by the indenter. The MHAPW placed (August 1997) supply order with a Calcutta based firm for supply of 1,08,600 metre of cloth cotton disruptive pattern of above specification at the rate of Rs 49 per metre to the Commandant, 3 Maintenance Group, Assam Rifles.

Test-check (July-August 1999) of records of the DGAR revealed that three sets of advance sample as supplied (September 1997) by the firm through DQA was approved (September 1997) by the DGAR and sent one each to DQA and the consignee. The firm supplied 1,08,600 metre of cloth in two consignments (November 1997: 55,500 metre and February 1998: 53,100 metre) against advance payment (95 per cent) of Rs 50.55 lakh in two instalments (November 1997: Rs 25.83 lakh and February 1998: Rs 24.72 lakh). Both the consignments were rejected after inspection (November 1997: 55,500 metre; February 1998: 53,100 metre) by the Board of Officers of Assam Rifles (AR) on the ground that the bulk supply did not conform to the advance sample inasmuch as the cloths were coarse and thinner with print visible on the reverse side. The rejection of first consignment of cloth by the Board of Officers of the Assam Rifles was also upheld by the representative of

DQA when the rejected cloth was re-inspected in January 1998 comprising of this representative and representatives of firm and DGAR. The firm on being intimated (December 1997 and February 1998) to replace those consignments conforming to the approved specification stated (February 1998) that the Khaki cloth had no commercial market, the rejection meant their total financial ruin. The firm also suggested (February 1998) the MHAPW either to reject the quantity not considered acceptable, which they agreed to replace with acceptable quality as per specification at their own cost or to accept the supplied quantity at a suitably reduced price as may be assessed and recommended by the competent authority.

Following the rejection of the cloth, a joint meeting amongst the parties involved in the deal viz. DGAR, MHAPW, DQA was held in April 1999 on the insistence of the DQA and MHAPW. The DQA pleaded that the tested bulk supply sample (henceforth called reference sample) conformed to the governing specification, while the MHAPW held that rejection was not legally tenable since bulk consignment was to be checked against reference sample as per the contract.

The Directorate of Assam Rifles always stood for the rejection. Even in January 1999 the Directorate upheld the rejection arguing that the variation in quality of cloth would cause specific flaw in the uniform of the Assam Rifles if the bulk supply of consignment was accepted. As regards legal implication as brought by MHAPW, the DGAR asserted (January 1998) that insertion clause for checking against reference sample in supplier's copy of the contract was an afterthought to help the supplier since such a clause was not there in the indenter's copy. But in the convened meeting, the DGAR falling in line with DQA deviated from his earlier stand agreeing to the decision to hold a joint inspection of the rejected consignments against reference sample. Accordingly, a joint inspection of rejected cloth was again carried out (May 1999) by a team comprising representatives of DGAR, DQA and the firm and accepted 1,06,159 metre of cloth (2,441 metre rejected) after checking the same against the reference sample.

Although the meeting expressed concern over the prolonged storage of the cloth since the shelf life of the cloth disruptive was for six months only, the subsequent utilisation of the cloth as force's uniform and durability of uniform was not known to Audit. But the fact remains that flexible stand of DGAR led to acceptance of cloth after about two years of the expiry of shelf life and that too in contravention of contractual provision to the effect that supplied cloth was to be accepted against advance sample casting doubt that sub-standard cloth affecting the quality of uniform of the forces had been accepted to bail

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out the supplier from financial ruin and thus constituted undue financial benefit of Rs 50.55 lakh to the supplier.

Audit reported the matter to the Ministry in November 1999 and July and September 2000; who have not replied as of February 2001.

11.4 Avoidable expenditure on procurement of socks

Local purchase of socks instead of being procured through Director General of Supplies and Disposal rate contract, resulted in extra expenditure of Rs 15.36 lakh.

Director General, Assam Rifles (DGAR) invited tenders on two occasions (April – May 1997 and March 1998) for supply of 0.91 lakh pairs of double toe, heel, elastic nylon socks (0.72 lakh in April 1997 and 0.19 lakh in March 1998). In response, he received 14 and 13 tenders, of which rates of Rs 14 per pair on first occasion and Rs 14.70 per pair on second occasion offered by a New Delhi based firm National Small Industries Corporation Ltd (NSICL) and a Guwahati based firm respectively were the lowest. But, DGAR accepted the 9th lowest rates quoted by a Shillong based local firm in each occasion at the rate of Rs 27.76 and Rs 26.31 per pair without recording any reason for non-acceptance of lowest rates. The firm supplied 0.72 lakh and 0.47 lakh pairs of socks during August 1997 to October 1997 and September 1998 to March 1999 respectively for which DGAR made payments of Rs 32.48 lakh (Rs 20 lakh for 0.72 lakh pairs and Rs 12.48 lakh for 0.47 lakh pairs) between November 1997 and August 1999 respectively. Thus, by resorting to local purchase at higher rates DGAR incurred extra expenditure of Rs 15.36 lakh*.

The DGAR stated in February 2000 that local purchase of socks at higher rates was necessitated because of (a) non supply of the stores and (b) poor quality of the sample submitted by the lowest tenderer viz. NSICL. DGAR admitted the lapse of non-recording of reasons for non-acceptance of the lowest tender. DGAR's reply needs to be viewed with reference to the fact that NSICL had supplied 0.47 lakh pairs of socks with required specification to DGAR during August 1998 on Director General of Supplies and Disposal (DGS&D) rate contract of Rs 10.99 per pair on the orders of MHAPW, based on the indent for one lakh pair of socks placed by DGAR in December 1996. The reply is silent why DGAR did not pursue the matter of ordering full indented quantity with MHAPW more effectively than to go for the local purchase at much higher costs.

* Rs 27.76 – Rs 14.00 = Rs 13.76 x 0.72 lakh pair = Rs 9,90,720
Rs 26.31 – Rs 14.70 = Rs 11.61 x 0.47 lakh pair = Rs 5,45,670
Rs 15,36,390

Audit reported the matter to Ministry in November 1999 and July and September 2000; who have not replied as of February 2001.

11.5 Mishandling of procurement of surveillance equipment

The Procurement Wing of the Ministry failed to make satisfactory movement of a strategic surveillance equipment needed by the National Security Guard. Besides, impacting adversely on the security concerns, the failed deal resulted in loss of interest of over Rs 11 lakh in blocked payment.

The Ministry of Home Affairs (MHA) approved in June 1995 the procurement of Thermal Imaging Surveillance Equipment for the National Security Guard (NSG). The NSG placed indent on the Ministry of Home Affairs-Procurement Wing (MHA-PW) in August 1995. The MHA-PW accepted the tender of M/s. Thomson CSF Optronique, a French firm with the Delhi Farming and Construction Pvt. Limited, as their local agent, for Rs 38.33 lakh (equivalent to FRF 581140) in November 1996. The stipulated period of supply of equipment was six months from the opening of Letter of Credit with State Bank of India, Foreign Exchange Division, New Delhi, which the NSG did in December 1996. The NSG, however, received the equipment six months late, in December 1997, and the bank paid Rs 38.33 lakh to the supplier firm in January 1998. The NSG refused to accept the equipment in February 1998, as it did not meet the prescribed quality requirement and returned it to the local agent in May 1998 for re-export. The supplier returned the equipment again in the presence of representative of the foreign firm as well as their local agent in February 1999. That inspection revealed that equipment did not perform to the required standards and was different from the one offered in the technical bid.

The NSG wrote to the MHA in June 1999, only after Audit brought the matter to light, to direct the supplier to refund the amount with interest. It was only in June 2000 that the NSG received a refund of Rs 37.75 lakh equivalent of Euro 88594.22 (FRF 581140) at the prevailing rate of exchange. The contract did not provide for any recovery of interest, much less any penal provisions for delay in satisfactory execution of supply contract by the supplier. The infirmity in the contract deprived the NSG of interest of Rs 11.12 lakh for the period January 1998 to June 2000 calculated at the rate of 12 *per cent per annum*, besides adversely impacting on the security concerns for which the NSG indented the equipment at the first place.

The NSG accepted the fact in January 2000 and stated that the criminal liability of the supplier and the Indian agent needed to be examined. The audit

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did not find any internal evaluation by NSG of the impact of non-availability of the required surveillance equipment on NSG's security concerns.

Audit reported the matter to the Ministry in September 2000; who have not replied as of February 2001.

11.6 Follow up on Audit Reports

Despite repeated instructions/recommendations of the Public Accounts Committee, the Ministry did not submit remedial/corrective Action Taken Note on three Audit Paragraphs.

Review of outstanding Action Taken Notes (ATNs) on paragraphs included in the Reports of the Comptroller and Auditor General of India - Union Government (Civil) revealed that the Ministry has failed to submit ATNs in respect of three Paragraphs included in the Audit Reports up to and for the year ended March 1999 as detailed below :

Number and year of the Audit Report	Paragrapl number	Functional/ Ministry/ Department	Subject
3 of 1997	1	Home Affairs	Modernisation of Prison Administration
2 of 1999	18.10*	Urban Affairs & Employment	Extra payment of interest
2 of 2000	12.2 *	Home Affairs	Idle investment on procurement of Power Hammer

**pertains to Union Territories for which Action Taken Note is to be submitted by Ministry other than Ministry of Home Affairs but since the Ministry of Home Affairs is the nodal Ministry, the progress of submission of ATN is to be monitored by this Ministry.*

The matter was referred to the Ministry in January 2001; which confirmed the position on 17 January 2001 regarding 'Modernisation of Prison Administration' and 'Idle investment on procurement of Power Hammer' and stated that draft ATN on 'Extra payment of interest' has been sent on 13 December 2000 while no such draft ATN has been received as of January 2001.