

OFFICE OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA

NEW DELHI
08th May, 2015

CAG Audit Report on Ammunition Management in Army Presented

The Performance Audit Report of the Comptroller and Auditor General of India on Ammunition Management in Army – Defences Services, Army & Ordnance Factories No. 19 of 2015 was laid in the Parliament today and hence it has become a public document.

Ready availability of ammunition plays a critical role in overall preparedness of the Army. Ministry of Defence (MOD) is responsible for overall management of ammunition in the Army and carries out annual provisioning and procurement. Most of the ammunition for the Army is procured from Ordnance Factory Board (OFB) under MOD. Requirement of the balance ammunition is met from local trade and import. The following were the important audit findings:

1. Shortage of ammunition

War Wastage Reserve (WWR) is the reserve intended to meet the requirements for the expected duration of war and the approved authorization of WWR was equivalent to 40 days of intense period *i.e.* 40 (I). In disregard of the approved authorisation of 40 (I) days, AHQ procured ammunition based on the basis of ‘Bottom Line’ or ‘Minimum Acceptable Risk Level’ (MARL) requirements which averaged to 20 (I) days *i.e.* 50 *per cent* of the WWR. As a result, the policy for achieving the authorised level of ammunition stockpile was not implemented. Stocking of ammunition even at MARL was not ensured by the AHQ with availability of ammunition as on March 2013 being below the MARL in respect of 125 out of a total of 170 types of ammunition (74 *per cent*).

Ammunition with less than 10 days (I) availability is considered “critical”. The types of critical ammunition had increased from 15 *per cent* in March 2009 to 50 *per cent* in March 2013 of the total types of ammunition held. The critical ammunition in high calibre (ammunition for sustaining superior fire power) ranged upto 84 *per cent* during the five years period of audit. The critical shortages impacted the operational preparedness and training regimen of the Army.

2. Non fructification of procurement orders placed on OFB

OFB is the main source for supply of ammunition to the Indian Army. In order to build up ammunition stock level up to MARL and to provide enough lead time to OFB for procurement of raw material and streamlining the production, Ministry of Defence (Ministry) placed a five year Roll on Indent on OFB in January 2010. The ammunition requirements covered under Roll on Indent had been worked out in consultation with OFB. Despite the acceptance of targets for supply of ammunition covered under the first Roll on Indent, the OFB consistently failed to supply the targeted quantity, with shortfalls ranging up to *73 per cent* of the total types of ammunition indented.

3. Delay in finalization of imports

Army imports ammunition through capital and revenue route. Import, as an alternate source of procurement, proved to be unreasonably slow as no procurement of ammunition took place against the nine items initiated for procurement through capital route during the period 2008-2013. In case of revenue procurements also, the success rate of fructification of contracts was as low as *20 per cent*.

4. Deficiencies in Quality Control and Quality Assurance systems

During manufacturing process, the role of DGQA is to carry out Final Acceptance Inspection (FAI) for which limited tests on sampling basis are carried out. The concerned Ordnance Factories are required to carry out *100 per cent* checks for the quality of stores being manufactured by them. Ineffective quality controls by the Ordnance Factories led to rejections of finished products in FAI.

Even the products accepted by DGQA after FAI were not found up to the mark and due to persistent quality problems, ammunition worth RS.1,618 crore was lying as rejected in depots. Ammunition worth RS. 814 crore was declared unserviceable within shelf life by the depots due to poor quality.

5. Inadequacies in supply chain management and depot activities

Army impose ban on use of the particular lot of ammunition if any ammunition of that lot meets an accident. Such ammunition is kept segregated awaiting final decision on its categorisation. The ammunition worth RS. 3,578 crore were lying in Segregated condition awaiting final decision and ammunition worth RS. 2,109 crore was lying in Repairable Major condition awaiting repairs.

The movement of ammunition within various echelons in Army suffered from inadequacies such as delays in issue of ammunition, non-accountal of ammunition by depots, transportation of ammunition by other than specified explosive vans, *etc.* Further, the depots were functioning with risk of fire accident, as the fire fighting equipments were not held as per requirement / authorization.

Online connectivity among AHQ, depots and user units to enhance visibility of assets, speedy issue and receipt and effective overall ammunition management through computerization have eluded the Army as the computerization project was delayed by more than 10 years.

BSC/RSJ