

OVERVIEW

The total expenditure of the Defence Services during the year 2012-13 was ₹1,87,469 crore. Of this, the Air Force and Navy spent ₹51,118 crore and ₹29,879 crore respectively. The combined expenditure of the two services amounts to 43.21 *per cent* of the total expenditure on the Defence Services. The major portion of the expenditure of the Air Force and Navy is capital in nature, constituting 62.64 *per cent* of their total expenditure.

This Report contains major findings arising from the test audit of transactions of the Air Force, the Navy, Defence Research and Development Organisation, the Coast Guard and the Military Engineer Services. Some of the major findings included in the Report are discussed below:

I Procurement of trainer aircraft

Delay in development and supply of a trainer aircraft even after a lapse of 14 years by Hindustan Aeronautics Limited (HAL) had adversely affected stage II training of the pilots. Besides, the aircraft under development would be heavier compared to Indian Air Force (IAF) parameters which may affect training related performance. Moreover, advances released to HAL to the extent of ₹2953.88 crore against the contract of March 2010 remained unutilized so far. Due to ambiguous contractual provision, IAF had made substantial second stage payment amounting to ₹926.15 crore to HAL against nominal value of purchase orders valuing ₹6.04 crore.

(Paragraph 2.1)

II Non-utilisation of Mobile Ground Exploitation Stations for reconnaissance missions

A Reconnaissance (Recce) system is used to collect intelligence data for operational needs. An aerial Recce system comprises Synthetic Aperture Radar (SAR) pods, Electro Optic/Infra Red (EO/IR) pods and Static/Mobile Ground Exploitation Stations (MGES). Non procurement of adequate number of SAR and EO/IR pods coupled with incorrect allocation of four MGES imported (2009) at a cost of ₹129.76 crore resulted in their non-utilization for the intended purpose thereby affecting the Recce missions of IAF.

(Paragraph 2.2)

III Procurement of Air Combat Maneuvering Instrumentation system

Air Combat Maneuvering Instrumentation (ACMI) system provides an electronic replay of the entire combat sorties. IAF incurred an extra expenditure of ₹10.35 crore on excess flight trials of the ACMI system. Further, due to non synchronization of procurement and integration of ACMI system with fleet modification plan, the equipment procured at a cost of ₹167 crore could not be exploited fully for training purpose.

(Paragraph 2.3)

IV Unfruitful investment in procurement of a Torpedo

Torpedo 'W' contracted for ₹99.60 crore from M/s Bharat Dynamics Limited (M/s BDL) did not meet the envisaged Qualitative Requirements (QRs). Requisite airborne presetters remained under trials after four years of contract leading to inability of Indian Navy (IN) to operationally exploit these torpedoes which led to unfruitful investment. Further, delay in conclusion of contract and delivery of Torpedo 'W' led to inability of IN to maintain minimum pool reserve.

(Paragraph 2.4)

V Avoidable expenditure on repair of turbine blades

Due to non stipulation of time frame for validation of repair process in the contract, IAF was forced to offload blades for repair abroad to sustain the serviceability of aircraft even after an investment of ₹5 crore on procurement of Numerical Control Grinding Machine. As a result, IAF incurred an avoidable expenditure of ₹5.14 crore on repair by the original equipment manufacturer (OEM).

(Paragraph 3.1)

VI Loss due to delay in raising of discrepancy report

Failure on the part of Base Repair Depot to raise discrepancy report for wrongly supplied spares in prescribed time not only resulted in loss of ₹1.45 crore but also non availability of critical spares thereby affecting the maintenance of helicopters.

(Paragraph 3.2)

VII Avoidable expenditure on repair/overhaul of Auxiliary Power Unit

Auxiliary Power Unit (APU) is used for starting-up of the aircraft engines and maintaining emergency services during flight of aircraft in the event of failure of main power supply from the engines. IAF incurred an avoidable expenditure of ₹1.69 crore on repair and overhaul of six APUs due to lack of due diligence during assessment of estimates.

(Paragraph 3.3)

VIII Unjustified procurement of a system

Map Digitization Preparation Station (DMPS) is required for conversion of Manual Map to Digital Map. Three DMPS procured at a cost of ₹3.49 crore were not being utilised for the last four years as there was no requirement of DMPS at aircraft operating units.

(Paragraph 3.4)

IX Extra expenditure on procurement of Brake Parachutes

Brake Parachute is used to reduce the speed of the aircraft during each landing. Due to improper assessment of urgency, IAF incurred an extra expenditure of ₹12.66 crore on import of 100 Brake Parachutes.

(Paragraph 3.5)

X Avoidable loss due to injudicious decision on procurement of colour dyes

Colour dyes are used by IAF Aerobatic Team to perform Aerobatic displays in Air shows. Unrealistic projection of requirement of colour dyes by Indian Air Force coupled with decision to import entire quantity at one time for meeting three years requirement despite limited shelf life resulted in avoidable loss of ₹4.51 crore.

(Paragraph 3.6)

XI Directorate of Stores, Air Headquarters

Directorate of Stores at Air Headquarter (Air HQ) is responsible for planning, budgeting, provisioning and supply of non-technical stores to IAF. During audit of the Directorate of Stores and units concerned, Audit observed issues related to provisioning of sub-standard/ uncertified flying clothing and non-crediting of revenue into Public Fund Account. There were also several cases of irregular procurement of certain stores without scaling/approval of the Ministry. IAF suffered loss of ₹713.09 crore due to non implementation of 'Fall Clause' in procurement of fuel and that of ₹9.58 crore due to failure in taking advantage of prompt payment discount. A saving of ₹107 crore by way of availing discount on procurement of Aviation Turbine Fuel (ATF) accrued to IAF at the instance of Audit.

(Paragraph 3.7)

XII Audit on Aerospace Safety in Indian Air Force

The prevention of aircraft accident is an increasingly important factor in maintenance of combat capability of IAF. Audit Report of 1998 highlighted the issues of high rate of aircraft accidents, lack of training and infrastructure, lack of flying experience and training equipment, technical defects attributed to deficient maintenance procedure and delay in finalisation of investigation. Despite assurance given by the Ministry of Defence (MoD) to the Public Account Committee (PAC) in Action Taken Note (ATN) of September 2008, Audit observed (August 2013-December 2013) that these issues continued to persist. IAF lost 33 aircraft and 27 personnel during 2010-13. The percentage of accidents in fighter aircraft had increased. Technical defects and human error were the main causes of flying accidents. Due to non availability of basic trainer aircraft, intermediate jet trainer and full complement of advance jet trainer/simulators, training of pilots was compromised. Delay in finalisation of Court of Inquiries resulted in delay in finalisation of pensionary benefits and implementation of remedial measures for prevention of accidents and delay in regularisation of losses of aircraft accidents/incidents.

(Paragraph 3.8)

XIII Storage of special equipment and weapons in IAF

The sophisticated air armament stores including rockets, bombs, missiles, etc., are required to be stored in high quality, dust free and a temperature controlled environment. The life expired missiles need to be stored in suitable environment till their disposal to avoid environmental hazard. During audit of seven Equipment Depots, five AF Wings, three Base Repair Depots and one Air Stores Park, Audit observed that there were cases of delays in sanctioning of works for storage sheds and delays in execution due to change of site leading to time and cost overruns. Audit also noticed certain stores being kept in open area, continued dependence on public sector undertakings (PSUs) for storing of aero-engines, deficiencies in fire fighting equipment and shortage of crew, delays in repairing the seepage/leakage of storage sheds resulting in shifting of stores to other sheds.

(Paragraph 3.9)

XIV Avoidable expenditure on maintenance of simulators

Due to injudicious decision to continue with Annual Maintenance Contract for simulators despite grounding of HPT-32 fleet, Indian Air Force incurred an avoidable expenditure of ₹0.92 crore.

(Paragraph 3.11)

XV Functioning of Weapon Equipment Depot and Directorate of Weapon Equipment

More than 93 and 83 *per cent* of Annual Review of Demands (ARDs) – a measure of forward planning and replenishment of weapon equipment spares – were delayed by Weapon Equipment Depots at Mumbai and Visakhapatnam respectively. Of these, more than half of the ARDs witnessed delay in excess of three months. Despite the delay, the ARDs contained errors such as non-adherence to calendar year and non-consideration of available stock. The contracts emanating from the reviews for the weapon spares at Integrated Headquarters of Ministry of Defence (Navy) {IHQ MoD (Navy)} level were not concluded within the stipulated timeframe. IHQ MoD Navy also delayed raising of indents in 79 *per cent* of the cases. With delays at every stage, as of October 2013, contracts could be concluded for only 26 *per cent* of the items, need for which was projected in year 2009. The methodology for computing compliance to the

demands for weapon spares, as practiced currently, required robustness. Presently, the performance of forward planning and replenishment system for weapon equipment stores could not be reliably ascertained.

(Paragraph 4.1)

XVI Avoidable expenditure due to failure to invoke the repeat order option

Non-exercise of repeat order option available in an existing contract, while resorting to purchase of one set of main engines for INS Cheetah led to an avoidable expenditure of ₹0.70 crore. Besides, the requirement tendered out in December 2006, which was required in March 2008, fructified belatedly, only in March 2010. Resultantly, the ship could not be fitted with a new set of main engines during her refit in 2008 and could only be fitted in 2013 during subsequent refit *i.e.* Medium Refit-13.

(Paragraph 4.2)

XVII Unfruitful expenditure in repair of an aircraft

Adoption of piecemeal approach in repairs to a Sea Harrier trainer in making the aircraft airworthy, resulted in unfruitful expenditure of ₹6.26 crore as the aircraft remained unserviceable for want of spares.

(Paragraph 4.3)

XVIII Abnormal delay in procurement of critical spares

Lack of due diligence in processing the procurement of critical spares of Type 'A' Complex delayed their procurement which resulted in consequential fallout on the maintainability/exploitation of 'X' class submarines of the Indian Navy. Ultimately, the spares projected in March 2007 could be contracted only in August 2010 at an extra cost of ₹2.94 crore. However, the deliveries were yet (April 2014) to materialise.

(Paragraph 4.4)

XIX Procurement of an item at exorbitant cost

Navy procured generic Memory Cards on a resultant single tender basis at an exorbitantly high rate on the plea that the Memory Card was pre loaded with special to type software. This resulted in an extra expenditure of ₹1.10 crore.

(Paragraph 4.5)

XX Excess procurement of electrode

Material Organisation, Visakhapatnam, in a Rate Contract with a supplier, did not insist on staggered supply of quantities. This led to excess procurement and consequent expiry of the item worth ₹1.68 crore, without any use.

(Paragraph 4.6)

XXI Idling of investment due to non-synchronisation of civil works and provisioning of specialised equipment

The urgent requirement of advanced training facilities for Marine Commando East (MARCOS) sanctioned at a cost of ₹20.21 crore in March 2010, was yet (July 2014) to be fulfilled. Non-synchronisation of civil works and provisioning of specialised items also led to idling of investment of ₹6.98 crore.

(Paragraph 4.9)

XXII Non-availability of a dedicated fuel pipeline and blocking of funds

Lack of co-ordination between Coast Guard and Navy over the alignment of pipeline led to idling of ₹ 2.20 crore, since April 2004. Besides fuel pipeline to a jetty could not be provided.

(Paragraph 4.10)

XXIII Avoidable payment of late fee by Indian Coast Guard

Coast Guard did not reconcile the payment terms offered by Maharashtra Housing and Area Development Authority (MHADA) with the terms sanctioned by the Ministry, in its acquisition of flats which resulted in payment of late fees of ₹3.74 crore, inclusive of an avoidable payment of ₹0.98 crore towards delay in processing of payment. An avoidable payment of ₹0.45 crore

of interest on service charge was also made to the Authority. Sanction from competent financial authority (CFA) was not obtained for making these payments of ₹4.19 crore to the MHADA.

(Paragraph 5.1)

XXIV Blocking of funds and recovery of interest from a shipyard

Indian Coast Guard Headquarters (ICGHQ), in deviation of the laid down policy, sought to procure additional On Board Spares (OBS) from M/s Goa Shipyard Ltd. (GSL), after the delivery of the vessels in order to utilise unspent funds of ₹ 1.19 crore. M/s GSL could not supply the additional OBS, and the ICGHQ instead of recovering the unspent balance, from M/s GSL, let the funds remain with the shipbuilder for almost five years, leading to blocking of funds of ₹1.19 crore. On being pointed out by Audit, an amount of ₹56.53 lakh was recovered towards interest on outstanding advances.

(Paragraph 5.2)

XXV Lapses in recovery of advances to Coast Guard personnel

There were lapses in timely recovery of advances totalling to more than ₹1 crore granted to Coast Guard personnel. The lapses were attributable to systemic deficiency in the office of the Principal Controller Defence Accounts (Navy), Mumbai.

(Paragraph 5.3)