

OVERVIEW

The total expenditure of the Defence Services during the year 2011-12 was ₹1,75,898 crore. Of this, the Air Force and Navy spent ₹46,134 crore and ₹31,270 crore respectively. The combined expenditure of the two services amounts to 44 *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 almost 62.04 *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 Unfruitful expenditure on development of a system

Due to injudicious decision to persist with a programme for development of Electronic Warfare suite sanctioned to enhance the operational capability of an aircraft, an investment of ₹156 crore was rendered largely unfruitful.

(Paragraph 2.1)

II Delay in upgradation of an aircraft

Due to delay in initiation and conclusion of the contract, facilities for upgradation of an aircraft could not be set up in time despite an investment of ₹272 crore on Transfer of Technology resulting in grounding of more than 50 *per cent* of the transport aircraft fleet.

(Paragraph 2.2)

III Avoidable expenditure in procurement of aero-engines

Despite being aware of long term requirement of aero-engines, IAF failed to project the entire requirement which resulted in an extra avoidable expenditure of ₹227 crore on procurement of 100 aero-engines.

(Paragraph 2.3)

IV Non-inclusion of variable percentage of profit in the contract for acquisition of Landing Craft Utility

The contract for acquisition of eight Landing Craft Utilities (LCUs) at a cost of ₹2169 crore, allowed a flat 10 *per cent* profit to the Shipyard. Inclusion of performance related profit in the contract would have given the Ministry control over the profit element based on the performance of the shipyard. By allowing a fixed 10 *per cent* profit element, Ministry denied itself the leverage of reducing the profit to an extent of ₹40.96 crore. Besides, provision of ₹9 crore towards Project Management Cost in the contract was unjustified.

(Paragraph 2.4)

V Avoidable expenditure on procurement of test equipment

Procurement of additional test equipment worth ₹11 crore to meet the increased work load was avoidable as the test equipment for setting up the base repair level facility at BRD had already been procured earlier which could cater to the increased work load.

(Paragraph 3.1)

VI Delay in commissioning of testers

Due to non-inclusion of commissioning clause in the contracts, testers procured at a cost of ₹5.47 crore could not be commissioned for over four years and had since been rendered unserviceable.

(Paragraph 3.2)

VII Directorate of Mechanical Transport, Air Headquarters

Directorate of Mechanical Transport (DMT) at Air HQ is responsible for planning, forecasting, provisioning and budgeting in respect of ranges of vehicles and their associated equipment. During detailed audit of DMT Air HQ and units thereunder from April 2012 to September 2012, Audit observed that 408 Aircraft Support Vehicles (ASVs) costing ₹132.09 crore planned (2007) in the backdrop of Ops Parakaram could not be procured. Besides, 37 weapon loader trolleys

valuing ₹6.63 crore procured for SU-30 units were found unsuitable, thereby depriving these units of a vital ASV. The newly introduced Common User Vehicles (CUVs) were diverted to use for other than the intended purpose. Delay in outsourcing of staff cars by Air Force Station, New Delhi despite Ministry's insistence, deprived IAF of envisaged (2008) annual savings of ₹1.95 crore on outsourcing of staff cars.

(Paragraph 3.3)

VIII Availability of airfield infrastructure/runways in Indian Air Force

Airfield is an area of land comprising runways, taxi-tracks, dispersals, blast pens and entire zone of safety surrounding the area which is used for the operation of the aircraft. During scrutiny of records pertaining to ten runways resurfacing projects, Audit observed that there were cases of delays in sanction of works for runways resurfacing and blast pens. There were also delays in execution of works especially due to change of design sought after the sanction leading to time and cost overruns. Runways at three stations were not fit for operation of fighter aircraft. In most of the cases, the work executed by the contractor was of substandard quality and supervision by MES was also poor.

(Paragraph 3.5)

IX Blocking of funds due to improper planning and execution of work

Sanction of work for re-routing of electrical lines without obtaining necessary consent from the Revenue Authorities led to blocking of funds amounting to ₹6.14 crore from the year 2008.

(Paragraph 3.6)

X Avoidable payment of Income Tax

Failure of MoD to adhere to the contractual provision for availing of concessions on duties resulted in avoidable payment of ₹69.40 crore on account of Income Tax.

(Paragraph 3.7)

XI Allotment of office space to a private organisation

Irregular allotment of office space to a private organisation by DRDO led to a revenue loss of ₹5.67 crore to the State.

(Paragraph 3.8)

XII Recoveries at the instance of Audit

At the instance of Audit, the IAF authorities recovered an irregular payment of ₹0.70 crore made to the IAF personnel and a private firm. Principal Controller of Defence Accounts (Navy) recovered ₹1.39 crore from a private firm as liquidated damage for the late delivery of fuel barges, only after being pointed out by Audit.

(Paragraph 3.10 and 4.10)

XIII Inadequacies in the refit of a submarine

Failure on the part of the Indian Navy to synchronise the procurement of 204 types of spares necessary for undertaking the refit of a submarine, in 2006 affected the quality and completeness of the refit. Additionally, the belated procurement of only 89 spares at a later date led to an extra expenditure of ₹18 crore.

(Paragraph 4.1)

XIV Unfruitful expenditure of ₹33.91 crore on Maintenance Dredging

Maintenance Dredging is an annual activity undertaken to maintain a minimum depth in Naval channels and areas for the safe navigation of ships, submarines and other crafts. Even though dredging in monsoon was not a viable option, dredging during the peak monsoon due to delay in tendering and conclusion of the contract, rendered an expenditure of ₹33.91 crore unfruitful.

(Paragraph 4.6)

XV Unfruitful expenditure on construction of a Hangar

Improper selection of the contractor, subsequent poor contract management and faulty design of the structure resulted in an unfruitful expenditure of ₹6.72 crore in construction of a hangar at

INS Rajali, Arakkonam. Even after lapse of more than a decade, the operational requirement at INS Rajali, for an additional hangar, could not be met.

(Paragraph 4.8)

XVI False claim of Dip Money

All qualified divers of the Indian Navy, belong to a specialised cadre, and are entitled to “Diving Allowance” and “Dip Money”. However, at INDT (Delhi), weak internal controls, improper document maintenance and falsification of official records, led to an incorrect payment of ₹10.24 lakh as Dip Money.

(Paragraph 4.9)

XVII Excess payment of Island Special Duty Allowance in Navy

Island Special Duty Allowance (ISDA) for the personnel serving at the Andaman and Nicobar Islands, is not admissible during leave / training beyond 15 days at a time and beyond 30 days in a year and during suspension and joining time. However incorrect interpretation of the Government Orders relating to regulation of payment of ISDA by the Navy led to an overpayment of ₹3.29 crore. Further, despite being aware of this irregularity, the Navy did not take any steps to rectify the situation.

(Paragraph 4.11)

XVIII Avoidable expenditure on Short Refit of Indian Coast Guard Ship Vikram

As per the Coast Guard Instructions for ships awaiting decommissioning/disposal, only essential repairs termed as Essential Repairs Dry Docking (ERDD) should be undertaken to ensure safe floatation till disposal of the vessel. Contrary to this, an expensive Short Refit (SR) was carried out at a cost of ₹5.66 crore on Indian Coast Guard Ship Vikram due to lack of co-ordination between the two Directorates of ICGHQ which was avoidable.

(Paragraph 5.1)

XIX Qualitative Requirements based projects at Naval DRDO laboratories

Scrutiny of 24 projects aimed at achieving indigenization, undertaken by Navy affiliated DRDO laboratories at a cost of ₹731.51 crore revealed that 21 projects i.e. 87 *per cent*, did not adhere to the original time frame for completion. Seven projects witnessed cost overruns ranging from 34 to 348 *per cent*. Scrutiny of 12 projects related to critical naval technologies, showed delays, technological obsolescence, difference of perceptions between Navy and DRDO on success criteria, delayed communication of QRs and frequent changes in QRs by Navy contributing to failure in induction of indigenously developed capability.

(Paragraph 6.1)