

5.1 In-effective usage of Access Control System

Access Control Systems (ACSs) procured for 100 AF units at ₹13.65 crore had shortcomings. Further, in spite of procurement of add-on facilities to enhance its utility at additional ₹7.38 crore, the utilisation of the ACS was ineffective.

As Air Force units contain vital installations, areas and costly assets, access to such areas especially for visitors, vendors, contractors and their employees was being controlled manually through use of card / paper passes, which had possibility of misuse. Air Headquarters (Air HQ) proposed (August 2003) to introduce fool proof smart card based Access Control System (ACS) with modern state of the art technology.

Air HQ concluded (March 2008) a contract with M/s ECIL Rapiscan Ltd, Secunderabad for supply and installation of 100 ACSs for AF bases at a cost ₹13.65 crore with a warranty period of 12 months from the date of acceptance of stores or date of installation and commissioning whichever was later.

100 ACSs were supplied (April 2009) along with accessories by the vendor and installed at various Air Force bases. However, after installation of ACSs, user units¹ expressed (April 2009) various shortcomings in ACSs such as rejection of smart card, delay in writing of chip, mechanical fault, and high percentage of rejection of SIM, *etc.* Air HQ expressed (August 2009) its concern to the vendor over the problems encountered, poor maintenance support and suggested to resolve multifarious bottlenecks, on a fast track basis.

¹ 'S-1' SU(AF), 'W-1' Wing (AF), HQs 'AA', *etc.*

Air HQ subsequently wrote (March 2010) to all the Command HQs that ACS was conceived in 2003 and qualitative requirements (QRs) were finalized in 2004 which had shortcomings against present requirements. It further stated that utility of the system could be enhanced by integrating it with various other access control measures like turnstile, door opening system, additional smart card readers, *etc.*, and suggested to initiate action for assessment and procurement of these devices to enhance its utility. Accordingly, only three² out of seven³ Air Commands procured such devices for 54 units at an additional cost of ₹7.38 crore.

Audit observed that:

- a) Air HQ took 55 months to conclude the contract (March 2008) after initiation of requirement (August 2003) *vis-a-vis* 4.5 months prescribed in Defence Procurement Manual-2006.
- b) The procurement was not done with prudence in view of the fact that within a year of procurement Air HQ had written (March 2010) to all Air Commands that QRs finalized for ACS in 2004 had shortcomings against present requirements and the same had to be integrated with other utilities to enhance its performance.
- c) Additional cost of ₹7.38 crore had been incurred on various other access control add-on facilities to enhance the utility of the ACS at 54 IAF units in pursuance of the advice (March 2010) of Air HQ.

Audit further noticed (October 2015) from Air HQ observation (April 2015) to all Air Commands that effective utilisation of the ACS was not being carried out at units. Further, no access control cards were being issued in respect of:

- i) dependents at 41 Air Force units and,
- ii) visitors / relatives at 85 Air Force units.

² Western Air Command (WAC), Eastern Air Command (EAC) and Central Air Command (CAC).

³ In addition to three Commands indicated in footnote 2, the remaining four Air Commands are South West Air Command (SWAC), Headquarters Training Command (HQTC), Headquarters Maintenance Command (HQMC) and Southern Air Command (SAC).

Considering importance of securing assets of IAF at their units, Audit examined (September 2015) records / documents to ascertain the actual usage of ACS at eleven sampled⁴ Air Force Station (AFS) and it was noticed that though two of the AFS had installed turnstile /door operating systems, the manual papers passes to the visitors / vendors were being issued by all 11 units as given in **Annex-B**.

Air HQ in reply (March 2016) elaborated the events from initiation of the process in August 2003 till conclusion of the contract (March 2008) without clarifying the delays or the time taken in completion of the events/process. Regarding non-revision of QRs, Air HQ response (March 2016) that 're-initiation of case was required only if alteration was envisaged' was contrary to their own admission (March 2010) about shortcomings of the QRs against present requirements.

The Ministry stated (April 2016) that the procurement was done with full prudence and letter of Air HQ intended to convey that the usage of existing system could be enhanced by integrating certain equipment like turnstile, door opening system, *etc.*, which was not obligatory and certain Commands/Stations procured these based on perceived security threats. The Ministry further stated that units did encounter certain unserviceability issues and there were delays in repair on a few occasions for which the vendor was penalised with recovery of ₹46.39 lakhs.

The Ministry's reply may be seen in view of Air HQ communication (March 2010) to all commands stating that system was conceived in 2003 and QRs finalised in 2004 had shortcomings and advised to initiate plans for procurement of turnstiles/gates and additional equipment. In the said communication there was no mention of exercising option based on security threat. The Ministry also stated that the AF Stations have now been directed to optimally utilise the system. Test check by Audit at 11 sampled units further corroborated ineffective usage of ACS.

⁴ Randomly selected so as to cover 10 *per cent* of units/stations having ACS.

Thus, Air HQ's failure to revalidate the QRs of the year 2004 prior to conclusion of the Contract (March 2008) resulted in procurement of outdated ACS at a cost of ₹13.64 crore as admitted (March 2010) by Air HQ itself to all Command HQ. Further, in spite of procurement of add-on facilities like turnstile, door opening system, additional smart card readers, *etc.*, to enhance its utility at additional ₹7.38 crore, the utilisation of the ACS was ineffective.

5.2 Irregular payment of Transport Allowance

Transport Allowance was paid even while AF officers / Airmen were absent from their places of regular duty for full calendar month, which was in contravention to orders of the Ministry of Defence and Air HQ.

Ministry of Defence (MoD) issued instructions (February 1998) regarding grant of Transport (TPT) allowance to service officer and personnel below officer rank (PBORs) stipulating non admissibility of the TPT allowance to an individual who is absent from place of regular duty (*i.e.* his/her HQs) for full calendar month(s) due to leave, training, tour, *etc.* In pursuance of implementation of Sixth Pay Commission recommendations, MoD revised (December 2008) rates of TPT allowance.

Transport Allowance to an individual is ceased by units concerned through Personnel Occurrence Report (POR), sent to Air Force Central Accounts Office (AFCAO) which regulates pay and allowances of all IAF personnel, and the same is to be re-authorised as and when the individual resumes duty at its Headquarters (HQs). On receipt of POR, AFCAO credits the TPT allowance in Individual Running Ledger Account (IRLA) and reflects it in monthly Pay Slip.

Audit observed (June 2015 to November 2015) the irregular payment of TPT allowance in eight⁵ test checked IAF units as given in **Annex-C**.

⁵AFCAO (Airmen/Civilians), Central Servicing Development Organisation (CSDO), 35 Wing, 41 Wing, 17 Wing, 412 Air Force Station, 4 Base Repair Depot and 12 Wing.

Thus, there was non-compliance to MoD/Air HQ instructions in regard to TPT allowance. Audit issued (November 2015) a Statement of Case (SoC) on the irregular payments of TPT allowance noticed in test checked units and suggested review of similar cases, to Air HQ and AFCAO (Officer/Airmen).

AFCAO (Officers/Airmen) in November 2015 stated that recovery would be made where POR raised by units or details made available by Audit.

AFCAO's reply is not acceptable as they are the repository of all occurrences relating to IAF personnel including the annual leave and the IRLA which are maintained by AFCAO and are subject to audit by the Joint Controller of Defence Accounts (JCDA), Air Force.

Further, Audit had only done test check of records of selected units and there is need to review all such cases throughout IAF for corrective action and to avoid recurrences.

In view of above Audit recommends that, Air HQ issues instructions to all units for review of all Transport Allowance payments since February 1998 i.e. date of issue of relevant orders and to effect recoveries of irregular Transport Allowance in units where it was made.

The draft paragraph was issued to Ministry in January 2016; their reply was awaited (April 2016).

5.3 Avoidable expenditure of ₹131.45 lakh due to payment of Electricity tax

Despite provisions for exemption of electricity tax available under Article 287 of Constitution of India, Air Force Station New Delhi paid ₹131.45 lakh on account of electricity tax to New Delhi Municipal Corporation during April 2009 to December 2014.

Article 287 of the Constitution of India stipulates that save in so far as Parliament may by law otherwise provide, no law of a state should impose or authorize the imposition of tax on the consumption or sale of electricity

(whether produced by a Government or other persons) which is consumed by the Government of India (GoI) or sold to the GoI for consumption by that Government. It further states that, 'any such law imposing, or authorising the imposition of, a tax on the sale of electricity shall secure that the price of electricity sold to the Government of India for consumption by that Government..... shall be less by the amount of tax than the price charged by other consumers of a substantial quantity of electricity.'

An audit scrutiny of electricity bills raised by New Delhi Municipal Corporation (NDMC) in respect of Air Force Station, New Delhi (AFS, New Delhi) revealed (July 2014) that the electricity bills included electricity tax at the rate of 5 *per cent* on electricity tariff and the same was being paid by AFS, New Delhi. A test check of records revealed that AFS, New Delhi paid ₹131.45 lakh to NDMC towards the electricity tax during April 2009 to December 2014, which was not payable as per Article 287 of the Constitution of India.

On being pointed out this case, AFS, New Delhi intimated (March 2015/July 2015) that the case for waiver of electricity tax was taken up with NDMC, which has not been agreed to. As per NDMC, the exemption of electricity tax is available only from law of a State Government, whereas NDMC Act, 1994 provides for such tax as Union tax.

NDMC in its reply stated that the matter has been re-examined in detail by the Finance Department in the light of opinion of Law Department, and that tax being levied in electricity bills raised by NDMC are in order as this was authorised by the Central Government and not the State Government and this tax is payable by all categories of consumers situated in NDMC area without any exception.

Reply furnished by the AFS, New Delhi and that of NDMC may be seen in view of following:

- a) Section 60(2)(c) of NDMC Act, 1994 authorises that the Council “may” levy a tax on consumption, sale or supply of electricity, and is general in nature, hence the provisions of NDMC Act cannot be construed as an exception to the Article 287 of the Constitution which specifically states that, ‘any such law imposing, or authorising the imposition of, a tax on the sale of electricity shall secure that the price of electricity sold to the Government of India for consumption by that Government..... shall be less by the amount of tax than the price charged by other consumers of a substantial quantity of electricity.’ There is no specific provision in the NDMC Act, 1994 notwithstanding the provisions of Article 287 of the Constitution, to levy Electricity tax on consumption of electricity by Government of India.
- b) ‘Taxes on consumption or sale of electricity’, is under list II- State List of Seventh Schedule (Article 246) of the Constitution.
- c) The payments by AFS New Delhi were also in violation of MES instructions on the same subject issued in July 1989 and June 2004, nor was any clarification sought on the issue and payments made under protest; but AF Station, New Delhi continued to pay electricity tax to NDMC.

Thus, AFS, New Delhi was making avoidable payments of electricity tax to NDMC.

The draft paragraph was issued to Ministry in December 2015; their reply was awaited (April 2016).

5.4 Avoidable expenditure of ₹80.07 lakh on repair of an aero engine

Failure of the Indian Air Force (IAF) to ensure compliance to the contractual provisions against unauthorised trans-shipment led to avoidable payment on repair of the aero engine damaged in transit.

Air Force Liason Establishment (AFLE) Nasik is responsible for handing over of aero engines of specific aircraft to HAL Nasik Division for repair and overhaul and taking back after repairs, which are then sent to concerned AF Stations. For transport of these equipment it was using services of an agency (M/s Allround Cargo Carriers, Nasik), for which 25 ED Devlali, Nasik had an annual contract for transportation, which also catered to the requirement of AFLE, Nasik.

As per terms and conditions of contract with the transport agency, insurance was at the discretion of AF authorities and trans-shipment of cargo *enroute* was not permitted except on prior written approval. As per clause 18 of the contract, the transporter was liable to compensate Air Force fully for any loss / damage to the stores.

AFLE , Nasik despatched (June 2007) a serviceable engine to 11 wing, AF Tezpur by a hired civil truck through contracted transport agency. However, on receipt at 11 wing, the engine was found badly damaged due to unauthorised trans-shipment of the engine *enroute* by the transporter. Hence, 11 wing, AF raised (July 2007) a Discrepancy Report (DR) against AFLE, Nasik and initiated a loss statement for ₹64.91 lakhs towards damages to the engine. The damaged aero-engine was subsequently (March 2008) repaired by HAL, Koraput at a cost of ₹80.96 lakh.

Audit (November 2014) of records of AFLE Nasik revealed that:

- a) AFLE Nasik had not insured the consignment although Aero engines are costly equipment (₹4 crore in this case).
- b) No AF escort was deputed along with the consignment to ensure its safe carriage.

- c) Unauthorised trans-shipment by transporter was contrary to contract terms and conditions.
- d) Although provision existed in the contract (clause 16 and 18) to make the transporter liable to compensate the IAF for any loss /damage to the stores, the matter remained under correspondence for three years between AF and the transporter. Finally, at the request of the transporter Headquarters Maintenance Command (HQMC) IAF appointed (May 2010) a Sole Arbitrator who accepted the plea of the carrier, that IAF had not disclosed the special nature of consignment and value as required under Carrier Act, 1865, though such conditions were not expressly provided in the contract. 'Aeroengines' are not listed in the Schedule to the Carrier Act, 1865 listing valuable items under the Act. The transporter expressed inability to pay the compensation was also accepted on face value without bringing evidence as to financial status of the transporter on record and a paltry amount of ₹0.97 lakhs penalty (about one *per cent* of the loss to IAF) was awarded. The recommendations of sole arbitrator were accepted and approved (July 2011) by HQMC. The penalty was adjusted by part receipt of cash and by forfeiting transportation charges.
- e) Court of Inquiry (CoI) to investigate the cause of damage to the engine was convened (August 2013) by AFLE, Nasik only after a lapse of six years against the stipulated period of three months from detection of loss. The CoI recommended regularisation of the loss of ₹80.07 lakh without fixing any responsibility for the lapses or suggesting remedial measures.

Accepting the facts, HQMC stated (November 2015) that as per existing rules and regulations of Air Force, IAF was not bound to disclose to civil firms the contents of the consignment being despatched through them, but admitted that AF was at fault for not deputing an escort for despatch and for not raising the claim in time. However, no reason was furnished for the abnormal delay (six years) in holding the CoI to investigate the damage to the engine.

Thus, failure of the Indian Air Force (IAF) to ensure compliance to the contractual provisions against unauthorised trans-shipment led to avoidable payment on repair of the aero engine damaged in transit. Further, not holding CoI in time to fix responsibility for the lapses and suggest remedial measures to avoid the above lapses / losses in future indicated lack of due diligence on the part of IAF.

In reply to the draft paragraph, the Ministry accepted (March 2016) the audit findings.

New Delhi
Dated: 30 May 2016


(B.P. YADAV)
Principal Director of Audit
Air Force

Countersigned

New Delhi
Dated: 30 May 2016


(SHASHI KANT SHARMA)
Comptroller and Auditor General of India