

## PRESS RELEASE

OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

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### **CAG Report on Defence Services (Air Force and Navy) presented in Parliament**

Report of the Comptroller and Auditor General of India, Union Government, Defence Services (Air Force and Navy) for year ended March 2019 was presented in Parliament here today. This Report relates to matters arising from the audit of the financial transactions of Indian Air Force (IAF), Indian Navy (IN) and relevant records in the Ministry of Defence (MoD), Defence Accounts Department (DAD) and Military Engineer Services (MES) dedicated primarily to IAF and IN. An amount of ₹39.82 crore was saved/recovered after having been pointed out by Audit. Highlights of findings included in the Report are as under:

#### **Works Management in Indian Air Force**

For execution of work services, IAF had spent ₹ 8,922 crore during the period 2014-15 to 2018-19. Therefore, Audit was conducted to assess whether the planning and execution of work services was able to achieve quality output in a timely manner and also whether tendering process in work services was able to ensure quality, optimum price and fair play.

Highlights of the findings included in the Report are as under:

- Each work is required to be approved by the Ministry in Annual Works Programme for accord of Administrative Approval by the competent financial authority. The approval of Annual Major Works Programme got significantly delayed in each year during the last five years which in turn had an adverse effect on the chain of sanctioning, tendering and execution of works.

- Regulations provide that technical sanction accorded by the competent engineer officer must be in strict accordance with the Administrative Approval with regard to scope of work. The engineer officer may, however, deviate from specifications mentioned in estimates for Administrative Approval if the deviations are necessitated by engineering reasons without altering the sanctioned scope of work. There were instances of increase in scope of work beyond the Administrative Approval.

As an illustration, an A F Station in violation of Defence Works Provisions projected certain new additional works that were not originally sanctioned in technical sanction/Administrative Approval. These additional new works were executed by MES authorities for ₹11.82 crore (18 *per cent* of contracted amount) through Deviation Orders. The main reason for execution of these additional works was to cover up the difference between the contracted price amount of administrative approval.

- Central Vigilance Commission had issued guidelines in December 2002 for Pre-Qualification Criteria for selection of contractors which are being followed by the MES. Audit noticed large deviations from these guidelines.

In a case for resurfacing of a runway at an AF Station, the PQC for past experience for 'Similar Work' was defined as 'Pavement and Asphaltic Concrete work' which was related to road construction and does not fall under the category of 'Runway and Pavement' which is distinct category of work under which contractors are registered for runway work by MES. Thus past experience criteria was substantially diluted and was not as per CVC guidelines.

- Contracts were awarded to ineligible contractors by compromising the tendering process which resulted in execution of poor quality of work as well as foreclosure of work. In one case, relating to runway works, award of work to an ineligible contractor led to premature failure of runway, which in turn required fresh sanctioning and execution of work through another contractor for the same work. Thus, fresh runway resurfacing at the AF station was executed at a cost of ₹37.40 crore within a span of six years instead of the prescribed period of 10-12 years.

- For accord of Administrative Approval, the engineer authorities are required to prepare the estimates for the work according to the requirement of the user as finalised by the Board of Officers. These estimates are checked by the higher engineer authorities.

In one case, despite demand for hangar of new specification by the user, estimates for the work of hangar with old specification were prepared by the engineer authorities and the work was sanctioned by the Ministry. The error was corrected subsequently and sanction was revised, which, however, resulted in commencement of work after a delay of more than six years.

In another case, the engineer authorities did not include a key work of Traverse wall costing more than ₹10 crore in the estimates despite being recommended by the Board of Officers and the work was sanctioned by the Ministry. The omission was detected during tendering stage by the engineer authorities and sanction was revised. This had a bearing on the project as in the meanwhile the required clear site at the location for construction of storage became unavailable and the total storage requirement had to be divided into two different locations. These errors by the engineer authorities had resulted in wastage of funds as well as time overrun by more than seven years, besides defeating the objective of constructing the storage.

- The works procedure in Defence also provides for emergency provisions for sanction (go-ahead) and execution of urgent works. At an A F Station, a work for 'Repair and up-gradation of dispersal area' was sanctioned under the emergency provisions which was completed with abnormal delay of five years *vis- a- vis* the envisaged probable date of completion, thereby defeating the very purpose of relaxation granted under these provisions for short circuiting the normal works procedure.
- In three cases, where the contract amount was less than the Administrative Approval by more than 15 *per cent*, Reduction Statement was not prepared as required under the guidelines. In two cases, instead scope of work was increased during execution of the work so as to utilize the savings accrued from the project, which is irregular.
- Operational requirements were misrepresented by an Air Force Station, to obtain sanction for construction of buildings which were later diverted to non-governmental agencies without GoI sanction.

## Indian Navy

- The urgency in CCS's sanction (February 2009) following the 26/11 (i.e. 26 November 2008) terror attack for setting up a maritime force (i.e. Sagar Prahari Bal (SPB)) within a period of three years so as to provide security to all coastal and offshore naval assets, was diluted due to delays in creating the enabling setup (Fast Interception Crafts (FICs), manpower & infrastructure). FICs were inducted into SPB with a delay of 13 to 61 months, infrastructure for basing of FICs/ SPB was still (June 2021) not available at a few naval ports envisaged in the CCS's sanction (February 2009) and manpower deployment at the officers' level was deficient. The operational availability and exploitation of FICs since their induction at designated ports were sub-optimal.
- Boost Gas Turbines (BGTs) were held in excess of the quantity prescribed as per the extant Naval Instructions. The imminent decommissioning of the ships and stock position were not considered while placing orders for procurement of BGTs. This resulted in excess holding of the newly procured BGTs worth ₹213.96 crore. Further, the warranty of the BGTs had also expired in October 2019.
- Repair and overhaul of a naval helicopter was inordinately delayed due to time taken in according Approval in Principle (AIP) by the Ministry (260 weeks) and conclusion of contract (95 weeks). This resulted in helicopter being grounded for over 10 years.
- The Chief Engineer (Navy), Mumbai concluded a contract for construction of security wall around defence land, which was not free from encroachment. As a result, the contract was rescinded in June 2017 after incurring an expenditure of ₹2.19 crore.
- For a married accommodation project (MAP), Navy paid ₹9.72 crore to Maharashtra State Electricity Distribution Co. Ltd. (MSEDCL) between February 2009 and March 2019 for augmentation of power supply by 1400 KVA over and

above the existing CMD of 4500 KVA. Though MAP got completed in 2012, the augmentation of power supply work is yet to be commenced. Besides, the infrastructure created by Military Engineer Services (MES) in December 2012 at a cost of ₹2.48 crore for augmentation of power supply for MAP, has since remained idle (December 2021). Further, the maximum demand of power supply at the naval station remained (October 2021) within the existing CMD (4500 KVA).

- Failure to invoke the clauses of RFP facilitating conclusion of parallel rate contract resulted in conclusion of rate contract for 60 *per cent* of the work only. Consequently, a separate work order was required to be concluded for undertaking underwater structural repairs of a naval ship incurring an additional expenditure of ₹2.01 crore.
- Delay by Naval authorities in clearing air consignment within the stipulated free time period led to avoidable payment of ₹7.25 crore.

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