CHAPTER III : AIR FORCE

Procurement

3.1 Abnormal delay in integration of Recce Pods onboard an aircraft

Recce pods, procured by IAF, were not selected or evaluated as per Defence Procurement Procedure. The Pods have not met performance parameters in trials in India. While the IAF's operational need is yet to be fulfilled even after almost a decade, large proportion of the contractual payment, amounting to Rs 611 crore, has already been made to the vendor.

A reconnaissance (Recce) system is used to collect intelligence data for operational needs. An aerial Recce system comprises (a) Synthetic Aperture Radar (SAR) pods, (b) Electro Optic/Infra Red (EO/IR) pods and (c) Ground Exploitation Stations (GESs). The EO/IR pod possess dual band capability in both visible and infra red bands with a data link for real time processing of information whereas the SAR offers real time, all weather day and night stand-off strategic Recce capability with sub-meter resolution. The SAR pods use radar for imaging while the EO / IR pods use a camera. EO/IR offers better picture quality but they are fair weather systems that are adversely affected by adverse climatological conditions. The GESs are the control centres for the pods on the ground and are critical for information processing.

In November 1996, the IAF contracted for 50 Sukhoi 30 MKI (Su-30) aircraft, of which ten aircraft were expected to undertake a reconnaissance role. These ten Sukhoi aircraft were to be delivered, as per contract, without Recce Pods but in a condition ready for installation of Pod in conformity with the submitted interfaces[1]. The Ministry of Defence (Ministry) issued a Request

[1] Audit had commented upon the non-synchronisation in integration of the Reconnaissance System with the delivery of the last batch of ten Su-30 aircraft in Paragraph 1.4.1.2 of the Report of the Comptroller and Auditor General of India, No.4 of 2006 (Performance Audit).

for Proposal for this equipment to seven vendors in 2002. Responses were received from only two vendors, M/s Thales, France and M/s IAI, Elta, Israel.

Despite having finalised and categorised the Staff Qualitative Requirements (SQRs) / Operational Requirements (ORs)[2] between 'essential'[3] and 'desirable'[4] performance parameters in August 2002, IAF re-classified six parameters during evaluation thereby reducing the transparency of the process. In 2003, the Technical Evaluation Committee modified the parameter of "Electronically Steered Antenna" from essential to desirable. Thereafter, during the on-site evaluation at IAI, Elta Israel, IAF re-classified another four parameters[5] as 'essential' on the grounds that these features were not available / mature at the time of issue of the RFP. Incidentally, when the second vendor, M/s Thales was asked to provide all these features, the firm could not do so. Finally, just before concluding the contract with the OEM in 2004, the IAF deleted an 'essential' parameter[6] stating that it was no longer required by the IAF. Although these changes were approved by the competent authority, the frequent changes were made to facilitate the procurement of Recce pods offered by IAI, Elta as it became the only vendor capable of meeting these ORs. Incidentally, the same TEC in 2003 had held that the performance of Thales EO/IR pod was superior due to newer technology but the developmental risks for the French Recce system were greater.

Further, while the Defence Procurement Procedure 2002 stipulates that field evaluation trials be conducted for any new equipment proposed for induction into Services, the IAF / Ministry instead opted for 'on-site' evaluations of the Recce Pods because the systems as specified in the ORs were not available and were still under development. The technical evaluation was of the IAI Elta system available on the F-16 aircraft and the Thales system on the Mirage aircraft. This was done despite IAF being fully aware that crucial elements of

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2 The technical characteristics required in the equipment

3 Minimum essential military requirements corresponding to the priority task or tasks to be performed by the system, resulting from an in-depth critical analysis of the necessity of requirement

4 All parameters other than 'Essential'. No vendor can be rejected if the equipment offered by him does not meet a 'Desirable' parameter.

5 In flight control and display facility, Synthetic Aperture Radar Mode enhancement package, Electro-optic/Infra-red modes enhancement, Synthetic Aperture Radar Interpreters Advanced Training

6 Cockpit control and display system

any such system, like the Man Machine Interface and Control logic, are designed exclusively for each platform. Hence, even though the on-site evaluation committee did not have the means to assess the compatibility or otherwise of the system on the Su-30 aircraft, it accepted both systems for the Su-30 aircraft. The IAF, in support of its decision for 'on-site evaluation' had stated that the Recce system is not an off-the-shelf item which can be installed on any aircraft and the platform would require extensive modification before the system can be fitted. Accordingly, while seeking approval for the procurement of these systems, IAF had also assured the competent financial authority (CFA) that suitable clauses would be incorporated in the contract to ensure compliance to performance parameters envisaged through 'Acceptance / Flight' testing.

Notwithstanding the above, the Ministry concluded a contract with M/s IAI, Elta, Israel (OEM) in December 2004 for procurement of an aerial Recee system, to be integrated on the Su-30 aircraft, at a total cost of USD 136.61 million (Rs 640.70 crore[7]). The first lot of the Recce system was to be delivered by the OEM in March 2007. Most of the supplies were made between December 2007 and March 2009.

Audit scrutiny revealed that while integration and flight trials of the SAR pods were undertaken in 2008 and the same has been cleared for operational use in January 2009, the functionality of the EO/IR is still to be proven by IAF due to large number of problems persisting in the system. Although the IAF found the system 'acceptable' during Factory Acceptance Trials under laboratory conditions simulated at the OEM premises, it discovered that the pod design had not matured after conducting flight trials in India. It was also noticed in audit that basic operating software testing for EO/IR pod was not conducted at OEM's premises despite contractual provisions for the same. As on date, even though the IAF has conducted 24 out of the 30 flight trials stipulated in the contract, the basic operating software still requires extensive testing and the EO/IR has both hardware and software bugs. As on date (June 2010), the On-Site Acceptance Test to verify and demonstrate complete functionality of the system in India is yet to be done. However, by August 2008, payment

[7] 1 USD = Rs 46.90

totaling to US$ 130,340,000 representing 95 *per cent* of the contracted cost had already been made.

The progress of the project, with respect to creation of necessary infrastructure for GES at three stations has also been tardy. Works services, amounting to Rs nine crore, were sanctioned by the CFA to be completed by 2007. As on date (June 2010), the cost of these works had increased to Rs 10.71 crore. While civil works at one station were completed in 2009, the civil works at the remaining two stations are expected to be completed only by 2010-11.

Ministry stated in, November 2009, that the induction of any avionics system requires extensive laboratory integration and flight testing. A complex system like Recce Pod is no exception. Checks of operational compliance require checks of imaging capabilities. This particular aspect requires a large window of fair weather conditions. Delay in the actual induction of the Recce assets can therefore be attributable to the availability of a good window with ideal weather conditions for flight trials. The reply furnished by Ministry is not tenable as the project has been delayed by over three years from the originally scheduled delivery date. Thus, adequate time was available with IAF for undertaking operational compliance for imaging capabilities in a large window of fair weather conditions. Besides, the requirement of fair weather conditions ought to have been factored in at the contracting stage. Further, the delay is primarily attributable to non-maturity of design.

To sum up, IAF adopted an approach in formulating its Operational Requirements in such a manner that they were aligned to the system offered by M/s IAI Elta. By deviating from the prescribed procedure of field trials, the IAF has accepted a system which has exhibited several hardware and software problems in inconclusive trials in India and is yet to be proven fully. The IAF did not ensure that critical integration was successful at OEM premises and failed to safeguard Government interest as assured to CFA, before authorising stage wise payments to the foreign vendor. Further, delay in provision of works services has lead to non-installation of vital imported equipment costing Rs 65.46 crore. Thus, despite spending Rs 611 crore and delay of over three years from the originally scheduled dates, the IAF remains devoid of a state-of-the-art strategic Recce system.

3.2 Irregularities in the procurement of Microlight Aircraft

Air Headquarters procured the CTSW Microlight Aircraft in an uncompetitive and non-transparent manner. There were serious financial irregularities while processing the proposal like release of advance prior to placing the supply order, making bill payment before receipt of the aircraft, constitution of PNC after placement of order etc.

As a part of its Platinum Jubilee (75th year) celebrations, the Indian Air Force planned a 'Round the World' (RTW) Microlight Expedition. In February 2007, Air Headquarters placed a purchase order on M/s Flight Design GmbH, Germany for supply of one CTSW[8] Microlight Aircraft at a cost of Euro 95,744[9] (Rs 56.40 lakhs[10]). At the time of placement of order, the approval of the competent authority, the Vice Chief of Air Staff, was not obtained. The acquisition was given *post facto* approval by the competent authority in May 2007.

The IAF did not short-list / select the vendor or aircraft through either an open bid or Limited Tender system despite comparable aircrafts being available, in violation of Defence Procurement Manual (DPM)[11] provisions. Instead, a comparative study of leading contemporary microlight aircrafts was put on record. The IAF also granted the firm a Proprietary Article certificate, thereby, processing the procurement as a single tender. Further, IAF by-passed the DPM requirement of forming a Technical Evaluation Committee for scrutinising the proposal to ensure compliance with technical parameters prescribed[12].

The DPM prescribes that commercial negotiations be conducted through a duly constituted Price Negotiation Committee (PNC) which would also

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8 Composite Technology Short Wing

9 Cost of the microlight aircraft is Euro 90,143 and air freight charges Euro 5,600

10 1 Euro = Rs 58.90

11 Para 4.9 and 4.10 of DPM

12 Para 4.11 and 4.12 of DPM

determine the reasonableness of the price[13]. Audit, however, found that a PNC was constituted *after* the order was placed and initial advance released. The vendor, even, trained the Indian pilots. At the insistence of Defence Finance, the PNC met on 14 March 2007, in the *absence* of the vendor as the vendor declined to attend the meeting and recommended that the CTSW Microlight be procured.

IAF sanctioned an advance amounting to Euro 21,000 (Rs 12.58 lakh[14]) to the vendor on 5 December 2006 from ***outside*** Government funds and prior to order being placed. Interestingly, even the Request for Quotation itself was issued to the supplier on 12 January 2007. The competent authority sanctioned release of funds in March 2007 and the entire contracted amount was released as an advance[15] prior to delivery of the aircraft in April 2007. Ultimately, IAF, on the advice of Defence Finance, sought the approval of the Raksha Mantri for exemption from DPM provisions regarding release of advance. IAF also obtained waiver of the Performance Bank Guarantee Clause.

Ministry, in their reply (December 2009), stated that the aim was to set a world record in global circum-navigation, hence, all possible sources were exploited and then finally narrowed down to one particular type of aircraft which would suit the requirement. They stressed that the CTSW was a PAC item and inviting quotations from earlier suppliers did not arise. The Ministry added that the vendor had quoted the fixed global price for the Microlight and the same was verified and put on record. As regards, the absence of the vendor in the PNC, Ministry stated that the vendor was invited by e-mail but declined to attend. Ministry also claimed that the advance of Euro 21,000 was made from funds outside Government account as the vendor insisted upon the same, without which the order could not have been placed. The advance was, thus, released after due deliberations to expedite the procurement with the intention that the same would be reimbursed from public funds after sanction by the Ministry of Defence.

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13 Para 5.6 of DPM

14 1 Euro = Rs 59.90

15 Balance amount of Euro 74,744 (Rs 44 lakh) was released on 19 March 2007, thereby, making 100 *per cent* payment to the firm

Ministry's arguments do not address the core issue as to why the IAF chose not to adhere to the procedures prescribed for tendering, price negotiation and release of funds and instead got these actions and decisions regularised subsequent to placement of the order.

Thus, the procurement of the CTSW Microlight Aircraft by Air Force Headquarters did not adhere to the canons of financial propriety, which would set an undesirable precedent for future procurements.

Contract Management

3.3 Under utilisation of infrastructure created

Establishment of a blade manufacturing facility, at a cost of Rs 72 crore, has been delayed on account of over-optimistic assessment of the existing capabilities. The facilities so created would remain largely under-utilised due to inflated estimation of requirements. Due to absence of a formal contract, the vendor has not been penalised for the delay.

In August 2002, Ministry of Defence (Ministry) accorded sanction, for setting up of a Blade Manufacturing Unit (BMU) at a total cost of Rs 71.99[16] crore, at Hindustan Aeronautics Limited (HAL), Koraput for indigenous manufacture of turbine/compressor blades of aero-engines of Mi-8 / Mi-17 helicopters and AN-32 aircraft. The facilities were to be established by August 2007 and would have potential for effective use till 2017-18. Till May 2009, Indian Air Force (IAF) had released a sum of Rs 53.76 crore (i.e. 75 *per cent* of project costs) to HAL for the project.

I The project was based on unrealistic assessment of requirement of blades

The sanction for the project was based on the assumption that the IAF would require 53,290 blades annually for the Mi-8, Mi-17 and AN-32 helicopters/aircraft. This projection was based upon the consumption levels

[16] Inclusive of Rs 60.33 crore for machinery and civil work and Deferred Revenue expenditure of Rs 11.66 crore for design, tooling and trials etc.

of 1999-2000 without taking into account actual force levels which would prevail at the time when the BMU would be operational. Audit noted that, majority of the Mi-8 helicopters, which accounted for approximately 62 *per cent* of the demand, would be phased-out in stages by 2016. In fact, by June 2009, the actual requirement for these blades had come down to 26,978 annually (i.e. 50.62 *per cent* of the original projection).

Incidentally, in March 2004, the Directorate of Indigenisation had suggested alterations in the project well before the tooling stage on account of phasing-out of the Mi-8 helicopters so that both public money could be saved and the facility could be more productively diverted to enhance similar capacity for other type of blades.

Although the benefits of indigenisation cannot be quantified, yet it is pertinent to note that, as per the proposal submitted to the competent financial authority for approval, the BMU was expected to start generating profits from 2013 if the originally scheduled milestones had been achieved. These profits were largely based upon the sales of the Mi-8 helicopters. However, as 20 *per cent* of the Mi-8 fleet would be phased out by 2013 and majority by 2016, the investment made in the project may not be able to yield enough profits to compensate for the original cost.

II The project is also delayed

As on date (June 2010), the project is far behind schedule and is likely to become operational only by September 2010. HAL, in February 2008, stated that the delay is attributable to the fact that a project of this nature was being developed for the first time by HAL, there was no Transfer of Technology available and the blades were to be manufactured by reverse engineering processes.

III No formal contract was signed with HAL

It was also observed that despite the Financial Advisor's advice to the contrary, Ministry sanctioned the project without any formal contract with HAL. Thus, the rights and responsibilities of the contracting parties remained undefined thereby creating a project environment with little accountability.

This became evident as after the initial sanction of August 2002, two revised sanctions were issued altering the payment milestones and extending the expected date of completion. The usefulness of the facility, already restricted by the reduced demand, has been further undermined by the delay.

The Ministry, in December 2009, defended the sanction for the project on the grounds that there was a need to develop indigenous capability so as to reduce dependence on foreign suppliers and no country was willing to part with this critical technology. Ministry, agreed that the initial projection for blade requirement was made based on the actual consumption record till the year 1999-2000. They, however, added that the views of the Directorate of Indigenisation were not disregarded and the utilisation of the excess capacity of the Blade Manufacturing Unit is under active consideration of Air HQ in consultation with Headquarters Maintenance Command. Ministry also stated that the project was sanctioned through a Government letter since it was of a development nature.

Ministry's reply is not tenable as IAF and Ministry were well-aware of the phasing-out schedule of the helicopters. Even now (June 2010), three years after the facility was supposed to have commenced production, IAF has not been able to put forth a concrete proposal for utilising the excess capacity of almost 50 *per cent.* Incidentally, in June 2009, a further extension has been sought till September 2010. As regards Ministry's contention that no country was willing to part with this technology, the argument is not convincing as HAL (Koraput) had indigenised the aero-engine blades of the MiG 21 and MiG 29 under transfer of technology. In fact, HAL's lack of expertise in this area has been a critical factor in delaying the project.

In brief, the blade manufacturing facility at HAL, Koraput was planned on wrong assessment of requirements. The project has also been undermined by a lack of honest appraisal of the capabilities of HAL. To blame 'inadequate knowledge base in the country' is a ***fait accompli*** as this factor should, however, have been known both to Ministry and the Company. The lack of capabilities was borne out by the fact that HAL itself admitted that the risk would be high. The absence of a formal contract further compounded the problem leading to delay and grant of repeated extensions. Despite an expenditure of Rs 54 crore, the IAF has not gained commensurate benefits.

Since the facility is likely to be completed only by September 2010, its utility would be limited in view of phasing out of the aircraft for which this facility has been created.

3.4 Avoidable expenditure on repair of an aero-engine under warranty

Failure of an IAF Equipment Depot to correctly classify the repair task of a damaged aero-engine under warranty led to an avoidable expenditure of Rs 1.09 crore.

The Ministry of Defence, in March 2006 concluded a contract with Hindustan Aeronautics Ltd (HAL), at a total cost of Rs 1,710 crore, for supply of Jaguar Twin Seater aircraft, spares and TTGE[17]. The aircraft and spares carried a warranty of 12 months or 150 operational hours from the date of acceptance or date of installation and commissioning whichever is earlier. The contract also, *inter alia*, stipulated that the warranty for the unserviceable equipment would be extended by the period of down time.

Against this contract, HAL supplied, in October 2005, an aircraft to IAF, which was allotted to an Air Force Station in Bangalore. The aircraft remained with the AF Station for about a year, during which it was available for flying for only four and a half months. In October 2006, the aircraft was transferred to an Indian Air Force Wing located in Pune. A month later, the aero-engine fitted on the aircraft developed a snag and the engine RPM[18] dropped below the permissible limits, although it had completed only 70 hours of operation against a Time Between Overhaul (TBO) of 1,200 hours. The concerned Wing, therefore, rejected the engine and sent it to the designated Equipment Depot (ED) of the Indian Air Force, which in turn allotted the engine to HAL for repair in March 2007. Audit scrutiny of the case revealed the following:

- The contract concluded in March 2006 provided that if within the warranty period the goods are reported by the Buyer to be unserviceable and not available for flying, then the Seller would either

[17] Tools, Testers and Ground Equipment
[18] Revolutions per minute

replace or rectify them free of charge. Although, the aero-engine was under warranty when it developed snag on 17 November 2006, the ED allotted the aero-engine to HAL against the regular task rather than classifying it as 'under warranty repair'. As a result, the repair of engine was not done free-of-charge and IAF made a payment of Rs 1.09 crore for the same to HAL in August 2006 and November 2007.

- HAL agreed in December 2008, that the engine was received against regular task. They added that warranty claims for the said engine were not received through proper authorities, with prescribed documentation in the specified format and hence, the engine repair could not be claimed against warranty claim.

The Ministry stated, in February 2010, disagreed with audit and stated that the engine was not under warranty on 17 November 2006 when it developed the snag as the aircraft was inducted in Air Force on 17 October 2005 and, thus, carried warranty only up till 16 October 2006. Reply of the Ministry is not tenable as IAF failed to take cognizance of the fact that between 17 October 2005 and 16 October 2006, the aircraft was not available for flying to Air Force for 51 days for the reasons attributable to HAL. As noted above, the contract explicitly provided that if the goods were not available for flying within the period of warranty then the warranty period would be extended by such period of down time. Thus, the warranty for the aircraft as well as the aero-engine stood extended by 51 days to 4 December 2006.

The ED failed to exercise the contractual terms and conditions and thus, a repair task which was to be undertaken under warranty free-of-cost was taken up as a regular task on payment basis. This resulted in an avoidable expenditure of Rs 1.09 crore by IAF.

Miscellaneous

3.5 Foregoing of revenue due to non-revision of licence fee rates for residential accommodation

By not revising the License Fee rates in respect of residential accommodation every three years, Ministry continued to make recovery at older rates resulting in foregoing of revenue totalling Rs 13 crore.

The Government of India provides residential accommodation to a number of its eligible employees with the Ministry of Urban Development (MUD) being responsible for the administration and management of such residential accommodation. The Government also recovers a license fee (LF) from the Government servant for the use of such accommodation. The license fee is required[19] to be revised every three years and the MUD has been adhering to the prescribed interval for revision of LF.

Ministry of Defence also provides residential accommodation to serving officers. This Defence Pool Accommodation refers to such accommodation constructed or hired by the Ministry of Defence and accommodation constructed by Ministry of Urban Development but included in the Defence Pool. A Group of Ministers (GoM) in, May 1987, *inter alia* set out that the Ministry of Defence may fix a package of suitable rates (License fee) for the accommodation under their jurisdiction on the basis of principles laid down by the Ministry of Urban Development. The GoM also approved the recovery of LF from service officers @ 50 *per cent* of the rates notified by MUD, owing to trans-India location and varying condition(s) of the dwelling units. Accordingly, the Ministry of Defence, in January 1988 notified the LF chargeable from service officers for Standard and Classified Defence Pool Accommodation. These rates were made effective from 1st July 1987 and were subject to review after a period of three years.

[19] In terms of Supplementary Rules

Audit scrutiny of documents leading to the revision of license fee by the Ministry of Defence revealed the following:-

- The Ministry of Defence did not review/revise the rates of license fee every third year, as prescribed. Post 1999, the revision of license fee was required to be made effective from April 2001, however, the Ministry of Defence revised the rates with effect from September 2004 only.

- As of April 2001, the Defence Services had a total of 35,667 residential dwelling units. The non-revision of LF for the period from April 2001 to September 2004 led to foregoing of revenue worth Rs 12.44 crore[20] at a minimum.

- Further, another revision of license fee was required to be made with effect from July 2007, however, it was revised from May 2010. The non-revision of LF for the period from July 2007 to April 2010 also led to a minimum foregoing of revenue worth Rs 56 lakh.

To sum, Ministry has not followed the prescribed procedure for revising the license fee rates for the residential accommodation occupied by service personnel every three years. The loss of revenue due to this delay, on a very conservative estimate, is about Rs 13 crore.

The matter was referred to the Ministry in September 2009; their reply was awaited as of June 2010.

[20] Computed after applying a 10 *per cent* reduction to the total holdings of dwelling units to cater for disuse/ non-allotment etc. The lowest slab of LF rates i.e. Type 'D' and 'E1' has been applied to calculate the loss to the Exchequer assuming that 50% of the houses fall in the category of 59 to 75 sq.mt. and up to 130 sq. mt and remaining 50% are upto and above 159.5 sq.mt.

3.6 Injudicious transportation of containers for UN Mission

Ministry of Defence authorised overseas transportation of containers in excess of that prescribed by the United Nations Peacekeeping Force for the purpose of claiming reimbursement. As a result, the Indian Government incurred avoidable extra expenditure to the extent of Rs 38.96 lakh.

Indian Airfield Services Unit (IASU) was deployed in September 2004 in Kindu, Democratic Republic of Congo (Congo) as part of an Indian Air Force United Nations (UN) Mission (MONUC). The Mission was deployed for one year for which the cost of deployment of equipment and personnel[21], cost of maintenance and services and the cost of repatriation to India on termination of the Mission, were to be reimbursed as per the MOU[22] entered between UNDPKO[23] and the Indian Government. Though the initial deployment was for a period of one year, however, the deployment was continued till 2008 through three rotations. The Mission tenure was terminated with the UN Mandated repatriation of the IASU-IV contingent after end-September 2008.

The Indian Air Force transports Mission-specific material through containers. As per the MOU, the IASU was authorised 16.5 containers[24] for which the United Nations would bear the cost of transportation to the Mission area and back to India consequent on repatriation of the contingent.

It was observed that the Mission on termination possessed 38 serviceable containers, an excess of 21.5 containers against the prescribed authorisation. Air HQ stated in, October 2009, that self sustenance of the contingent was the responsibility of the Government of India and for self sustenance, upkeep and maintenance of vehicles equipment, the Government had sent an additional 15 containers. Audit, however, noted that the Indian Air Force was able to negotiate with UN re-imbursement for 23 containers during induction. Thus, 15 containers during induction were transported at a cost of Rs 38.96 lakh,

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21 As mandated by the UN
22 Memorandum of Understanding
23 United Nations – United Nations Department of Peace Keeping Organisation
24 Containers are of different types viz. 20 feet Sea Containers and 10 Feet Yak Containers

borne by the Government of India. During de-induction[25], the IAF was able to claim re-imbursement for the costs of transportation of 27[26] containers which returned to India.

Ministry stated in May 2010 that MOU was only for one year initially but at the request of UN three rotations took place each requiring additional containers to be taken to Missions area. Further, Ministry stated that IAF could not have claimed reimbursement for the extra containers as self sustenance was the responsibility of Troop Contributing Country. Ministry's reply is not tenable as the period of deployment of the Mission was increased from one year to three years and the Government should have re-negotiated and obtained prior approval of the UN for shipment of the additional 15 containers before deployment as per UN manual. Further, the fact remains that IAF was able to obtain reimbursement for the additional containers at the time of de-induction. This would also have been in line with the principle of cost neutrality, i.e the cost of deployment incurred should be equal to the reimbursement being received from the UN over a given period of time.

Thus, due to inability of Government to negotiate and obtain prior UN approval towards transport of additional containers, resulted in a ***fait accompli*** situation causing an avoidable expenditure of Rs 38.96 lakh.

3.7 Savings at the instance of Audit

An amount of Rs 3.40 crore was saved in two cases after having been pointed out by Audit.

During the audit of Administrative Approvals (A/As) for works services accorded by Air HQ and HQ Western Air Command, following instances of lapses were noticed. Acting upon the advice of audit, the auditee initiated

[25] UN inspectors in the Mission Terminal Inspection found ten of the available containers with the Mission as no longer seaworthy for the purpose of repatriation. However, as these containers were in excess of the authorised serviceable containers for the purpose of repatriation, no reimbursement by way of forced loss could be claimed and the containers were gifted away as charity to another country's (Bolivian) Mission.

[26] One yak container was put inside a sea container to cut down on space, making total number of containers returned to India as 28.

necessary action resulting in savings of Rs 3.40 crore to the exchequer in two cases. Each case is discussed below.

Case I

Air HQ, in December 2006, accorded an Administrative Approval (A/A), at an estimated cost of Rs 3.30 crore, for construction of 72 quarters for civilians at an Equipment Depot (ED).

Audit scrutiny revealed that:

- Despite the fact that the ED already possessed the authorised number of quarters for civilians, *vis-à-vis* that authorised in the Scales of Accommodation for Defence Services 1983, the A/A was accorded in December 2006 for construction of additional 72 quarters.

- Certain Type-I quarters were vacant and there was no waiting list for occupying them.

On this being pointed out in audit (April 2008), the A/A accorded in December 2006, was cancelled in August 2009, thereby, resulting in a saving of Rs 3.30 crore.

The matter was referred to the Ministry in September 2009; their reply was awaited as of June 2010.

Case II

Headquarters Western Air Command (HQ WAC) accorded Administrative Approval (A/A) in September 2007 for additions / alterations at a cost of Rs 9.70 lakh, to a building at an AF Station, housing a Unit-run Canteen (canteen). In October 2008, audit scrutiny revealed that the A/A was irregular since the canteen was a Non-Public Fund venture and Government funds are to be utilised for bonafide Government activities only. The Station Commander accepted the error in November 2008, leading to the cancellation of the A/A by HQ WAC in December 2008.

The Ministry accepted the facts in February 2010.