CHAPTER I: INTRODUCTION

1.1 About the Report

The Report relates to matters arising from the Audit of the financial transactions of Ministry of Defence and its following organisations:

- Indian Air Force (IAF)
- Indian Navy (IN)
- Indian Coast Guard
- Defence Research and Development (R&D) Organisation of the Ministry of Defence and its laboratories dedicated primarily to IAF/IN
- Defence Accounts Department dealing with IAF/IN
- Military Engineer Services (MES) dealing with IAF/IN

Transactions relating to Air Force are audited by the office of the Principal Director of Audit, Air Force [PDA (AF)], New Delhi and the audit of transactions in respect of Navy/Coast Guard is carried out by the office of the Principal Director of Audit, Navy, [PDA (N)], Mumbai.

The audit conducted by these two offices is of three distinct types: Financial Audit, Compliance Audit and Performance Audit.

Financial Audit is the review of financial statements of an entity that seeks to obtain an assurance that the financial statements are free from material misstatements and present a true and fair picture.

Compliance Audit scrutinises transactions relating to expenditure, receipts, assets and liabilities of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by the competent authorities are being complied with.

Performance Audit is an in-depth examination of a programme, function, operation or the management system of entity to assess whether the entity is achieving economy, efficiency and effectiveness in the employment of available resources.

This Report relates to matters arising from the Audit and contains findings pertaining to Capital and Revenue acquisitions, installation/upgradation of systems and work services. Total financial value of cases commented upon in this Report is ₹3291.87 crore. A brief financial analysis of the expenditure incurred on the Air Force, Navy, R&D (related to Air Force and Navy) and Coast Guard as a part of the over-all defence budget of the country has also been included.

1.2 Authority for audit

Article 149 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 govern the scope and extent of audit. Detailed methodology of audit and reporting is prescribed in the 'Regulations of Audit and Accounts, 2007'.

1.3 Planning and conduct of audit

Audit areas are prioritised through an analysis of risks so as to assess their criticality in key operating units. Expenditure incurred, operational significance, past audit results and internal control issues are amongst the prime factors which determine the severity of the risks. This exercise in turn guides the formulation of the annual audit programme. The number of units selected for audit is determined by matching the high-risk areas with available resources. Besides, high-value capital acquisitions and procurements are audited by specially constituted dedicated teams.

In general, interaction with the audited entity is encouraged from the initial stage in the auditing process. Audit findings are communicated during discussions at the end of an audit exercise and followed up in writing through Local Test Audit Reports/Statement of Cases. The response from the audited entity is considered and results in either settlement of the audit observation or referral to the next audit cycle for compliance. Some of the more serious irregularities are processed for inclusion in the Audit Reports which are submitted to the President of India under Article 151 of the Constitution of India, for laying them before each House of Parliament.

At present, the audit of Office of the Principal Director of Audit (Air Force) & Office of the Principal Director of Audit (Navy) comprises 920 units[1]. For the

[1] Out of 920 units, 398 units pertain to IAF and 522 units pertain to Indian Navy.

period 2012-13, audit of 187 units[2]/formations was carried out by utilising 10813[3] man days.

1.4 Internal control and co-ordination between Internal and External audit

The Finance Division of the Ministry of Defence is headed by the Secretary (Defence/Finance)/Financial Adviser (Defence Services) (FADS) who is responsible for financial scrutiny, vetting, advice and concurrence of all proposals of the Ministry of Defence. FADS is also responsible for internal audit and for accounting of the defence expenditure. Internal financial advice is provided both at the Service Headquarters level as also at levels of Command Headquarters and other units. Internal financial control is further aided by periodic internal audit by the Controller General of Defence Accounts (CGDA), the Head of the Defence Accounts Department, who functions under the FADS. The Principal Controllers of Defence Accounts, Air Force and Navy functioning under CGDA are located at Dehradun and Mumbai respectively. They are responsible for internal audit, financial advice at unit level and for scrutiny, payments and accounting of all personnel claims and bills for supplies and services rendered, construction, repair works, miscellaneous charges etc. received from Air Force and Navy/Coast Guard units.

The internal audit is expected to ensure effective implementation of the rules, procedures and regulations enunciated in the Defence Procurement Procedure, Manuals, Codes, etc. The offices of PDA (AF) and PDA (N) actively seek assistance and co-operation from internal audit in examination and scrutiny. Internal auditors have to carry out 100 *per cent* checks. The external/statutory audit bases its audit on sample/test check. The Inspection Reports (IRs) generated by external audit on the basis of local audit are issued to the audited entities as well as to their internal auditors *i.e.* Defence Accounts Department. These IRs are pursued to their logical conclusion after ascertaining the views of the internal auditors. Draft paragraphs proposed to be included in the Audit Report are sent to the Defence Secretary. Simultaneously, a copy is also forwarded to CGDA. The Ministry furnishes its response only after vetting by the FADS.

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[2] Out of 187 units audited during the year, 111 units (inclusive of 8 Directorate at Air HQ) pertain to IAF and 76 units pertain to Indian Navy.

[3] Out of 10813 man days, AF Office utilised 6195 man days and Navy Office utilised 4618 man days.

1.5 Profile of audited entities

1.5.1 Organisation – Key responsibilities

The Ministry of Defence at the apex level, frames policies on all defence related matters in consultation with the Finance Division. The Ministry is divided into four departments, namely Department of Defence, Department of Defence Production, Department of Research and Development and Department of Ex-Servicemen Welfare. Each department is headed by a Secretary. The Defence Secretary functions as the Head of the Department of Defence and is also responsible for coordinating the activities of other departments.

The Indian Air Force is headed by the Chief of the Air Staff. Air Headquarters (Air HQ) is the apex body and chief management organisation of the IAF. The ultimate and overall administrative, operational, financial, technical maintenance and control of IAF rests with Air HQ. Operational and maintenance units of IAF normally consist of wings and squadrons, signal units, base repair depots and equipment depots.

The Indian Navy is headed by the Chief of the Naval Staff. Naval Headquarters (NHQ) is the apex body and chief management organisation and is responsible for command, control and administration of the Indian Navy. Operational and maintenance units of Indian Navy consist of warships and submarines, dockyards, naval ship repair yards, equipment depots and material organisations.

The Coast Guard was created to protect the country's vast coastline and offshore wealth. The Director General, Coast Guard exercises general superintendence, direction and control of the Coast Guard.

Military Engineer Services (MES) is one of the largest Government construction agencies. Engineer-in-Chief is the head of the MES. The MES is responsible for conclusion of contracts, execution of work services and maintenance of existing buildings of the Armed Forces. It works under the Engineer-in-Chief Branch of Army Headquarters.

The Defence Research and Development Organisation undertakes design and development of weapon systems and equipment in accordance with the expressed needs and the qualitative requirements laid down by the Services. Certain laboratories are dedicated exclusively to Air Force and Navy like the Gas Turbine and Research Establishment (GTRE), Electronics and Radar Development Establishment (LRDE), Centre for Airborne System (CABS), Naval Science and Technological Laboratory (NSTL), Naval Physical and Oceanographic Laboratory (NPOL) and Naval Materials Research Laboratory (NMRL), etc. These organisations also render scientific advice to the Service Headquarters. They work under the Department of Defence Research and Development of the Ministry of Defence.

The Defence Accounts Department is headed by the Controller General of Defence Accounts who provides services to the armed forces in terms of financial advice and accounting of defence services receipts and expenditure as well as defence pensions.

1.6 Significant audit observations

Audit has over the years, commented on many critical areas of defence pertaining to Indian Air Force, Indian Navy, Indian Coast Guard and dedicated R & D projects and also the linked Military Engineer Services. The Ministry of Defence, on its part, has taken several measures in response to these observations. An important step taken to improve the procurement procedure has been the introduction of the Defence Procurement Procedure and Defence Procurement Manual and their regular updation.

The present Audit Report points out significant deficiencies/short comings in the procurement processes followed- both under Capital and Revenue Heads- by Ministry of Defence as well as by the Services. The acquisition process lacked proper planning, effective price negotiation and proper monitoring. In high value Capital expenditure cases, delay in development and supply of a trainer aircraft even after a lapse of 14 years by HAL had adversely affected stage II training of pilots (Paragraph 2.1). Due to non procurement of adequate number of SAR and EO/IR pods, four Mobile Ground Exploitation Stations procured at a cost of ₹129.62 crore could not be utilised for the Recce mission (Paragraph 2.2). Due to non synchronization of procurement and integration of ACMI system with fleet modification plan, the equipment procured at a cost of ₹167 crore would not be exploited fully for training purpose during the shelf life of the system (Paragraph 2.3). An investment of ₹82 crore in procurement of Torpedo 'W' was rendered unfruitful besides affecting the operational preparedness of Navy (Paragraph 2.4). Another case in point was adoption of piecemeal approach in repairs to a Sea Harrier trainer in making the aircraft airworthy, resulting in unfruitful expenditure of ₹6.26 crore as the aircraft remained unserviceable for want of spares (Paragraph 4.3).

The Report also highlights cases involving substantial expenditure in which either the procurement failed to achieve its intended objective due to lack of synergy in planning or the procurement had been delayed. Due to non stipulation of time frame for validation of repair process in the contract, IAF could not derive any benefit of an investment of ₹5 crore on procurement of machine. As a result, IAF incurred an avoidable expenditure of ₹5.14 crore on repair (Paragraph 3.1). Three DMPS procured at a cost of ₹3.49 crore were not being utilized for the last three years (Paragraph 3.4). Audit found that at Material Organisation, Visakhapatnam, though the procurement was made under a Rate Contract, the MO (V) did not insist on staggered supply of quantities which led to excess procurement, and consequent expiry of the item worth ₹1.68 crore, without any use (Paragraph4.6). In another instance 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 the submarines of the Navy. Ultimately, the spares projected in March 2007 could be contracted only in August 2010 incurring an extra cost of ₹2.94 crore (Paragraph 4.4).

Several cases have been highlighted where more alertness on the part of the department was required. Due to improper assessment of urgency, IAF incurred an extra expenditure of ₹12.66 crore on import of 100 Brake Parachutes (Paragraph 3.5). Decision to import entire quantity of colour dyes at one time for meeting three years requirement despite limited shelf life resulted in avoidable loss of ₹4.51 crore (Paragraph 3.6). Injudicious decision of Air HQ to continue with Annual Maintenance Contract for simulator despite grounding of HPT-32 fleet led to an avoidable expenditure of ₹0.92 crore (Paragraph 3.11). Failure on the part of Base Repair Depot to raise the discrepancy report in time for replacement of wrongly supplied spares resulted in loss of ₹1.45 crore (Paragraph 3.2). 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). Navy procured Memory Cards from 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). The Coast Guard also lacked vigilance, where in one case the Coast Guard did not reconcile the payment terms offered by Maharashtra Housing and Area Development Authority with the terms sanctioned by the Ministry of Defence, in its acquisition of flats. This resulted in payment of late fees of ₹3.74 crore and also rendered a payment of ₹0.98 crore avoidable due to delay in processing of payment (Paragraph 5.1).

Several cases have been highlighted where greater vigil and promptness in decision making on the part of department was required. During audit of Directorate of Stores, Air HQ, 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 ATF accrued to IAF at the instance of Audit (Paragraph 3.7). During audit on Aerospace Safety in IAF, Audit observed that 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 (CoI) resulted in delay in finalisation of pensionery benefits, implementation of remedial measures for prevention of accidents and regularization of losses of aircraft accidents/Incidents (Paragraph 3.8). During audit of storage and inventory holding of weapons and equipment in IAF, 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 PSU for storing of aero-engines, deficiencies in fire fighting equipment and shortage of fire fighting crew, delays in repairing the seepage/leakage of storage sheds resulting in shifting of stores to other sheds (Paragraph 3.9). There were lapses in timely recovery of advances totalling to more than ₹1.10 crore granted to Coast Guard personnel. The lapses were attributable to systemic deficiency in the office of the Principal Controller Defence Accounts (Navy), Mumbai which could be avoided had timely action been taken to rectify the deficiency in the system (Paragraph 5.3).

Instances of violation of contractual terms and disregard for instructions have also been reported. 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 Limited (GSL), after the delivery of the vessels and let the unspent funds remain with the shipbuilder for almost five years, leading to blocking of funds of ₹1.19 crore. At the instance of Audit, ₹56.53 lakh was recovered towards interest on outstanding advances (Paragraph 5.2). In another case, non-exercise of repeat order option available in an existing contract for purchase of one set of main engines for INS Cheetah led to an avoidable expenditure of ₹0.70 crore (Paragraph 4.2). The Report also seeks to highlight the lack of coordination between Coast Guard and Navy over the alignment of pipeline which led to idling of ₹2.20 crore, since April 2004 apart from non-availability of the vital fuel pipeline (Paragraph 4.10).

The Report also seeks to highlight the recoveries effected at the instance of Audit where delay in promptly crediting the proceeds of scrap sale, resulted in accrued interest of ₹39.23 lakh which was recovered from M/s Mazagaon Dock Limited (M/s MDL) at the instance of Audit (Paragraph 4.7). Recoveries/Savings of ₹1.55 crore due to wrong pricing of items were effected at the instance of Audit (Paragraph 4.8).

The Report also highlights the need to strengthen work services. There was an urgent requirement of advanced training facilities for Marine Commando East (MARCOS) sanctioned at a cost of ₹20.21 crore in March 2010. However, non-synchronisation of civil works and provisioning of specialised items led to idling of investment of ₹6.98 crore. The facility is not yet available adversely affecting the training of the MARCOS (Paragraph 4.9).

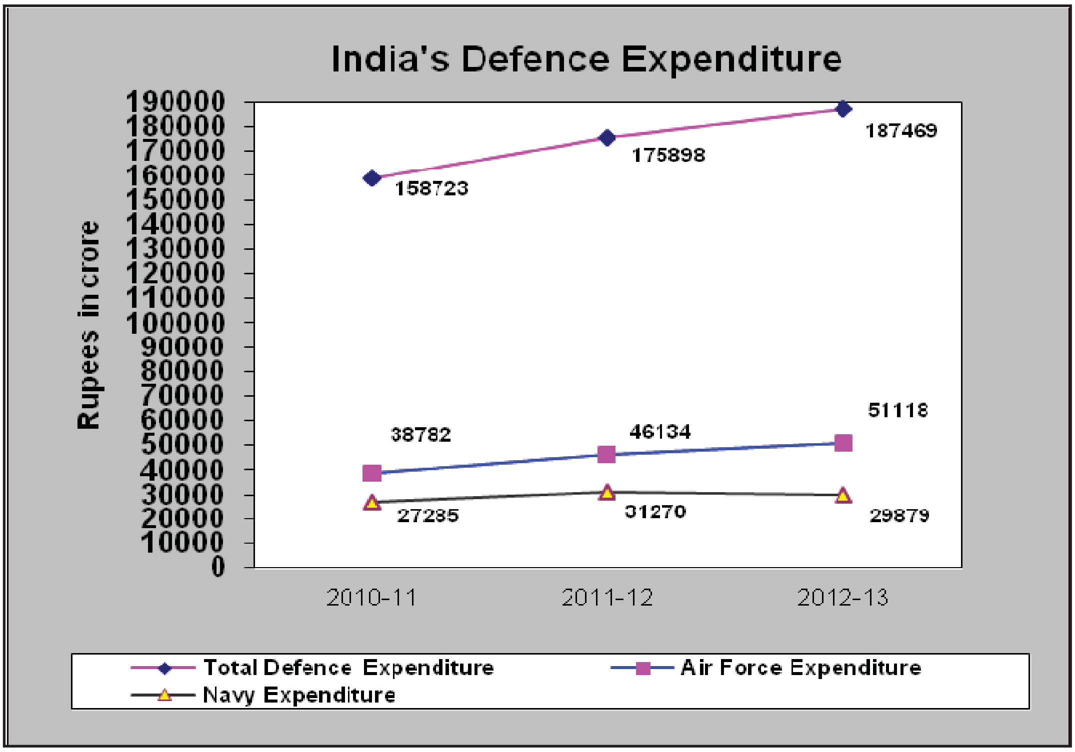
1.7 Financial aspects relating to Air Force and Navy

India's Defence Budget is broadly categorised under Revenue and Capital expenditure. While Revenue expenditure includes Pay and Allowances, Stores, Transportation and Work Services etc. Capital expenditure covers expenditure on acquisition of new weapons and ammunition and replacement of obsolete stores.

The defence expenditure increased by 6.58 *per cent* from ₹1,75,898 crore in 2011-12 to ₹1,87,469 crore in 2012-13. The share of the IAF and the Indian Navy in the total expenditure on Defence Services in 2012-13 was ₹51,118 crore and ₹29,879 crore respectively, which together constituted approximately 43.21 *per cent*.

1.7.1 Defence Expenditure

The defence expenditure, as depicted above, does not include the expenditure on the pension paid to retired defence personnel and expenditure incurred on Defence Accounts Organisation, Defence Estates Organisation, Secretariat of the Ministry of Defence, Defence Canteens and the Coast Guard Organisation. As a percentage of GDP, the defence expenditure has shown a downward trend during this period from 1.98 *per cent* to 1.81 *per cent* as shown in the following graph.



Historically, Revenue expenditure accounts for the bulk of the defence budget. Out of the total defence expenditure, the share of Revenue expenditure has gone up from 60.90 *per cent* in 2010-11 to 62.39 *per cent* in 2012-13, while the share of Capital expenditure has gone down from 39.10 *per cent* to 37.61 *per cent* during the same period as shown in the following Table.

Defence Expenditure

(₹ in crore)

Year	Annual Expenditure			Percentage increase over previous year	Expenditure as percentage of CGE@	Expend-iture as percentage of GDP
	REVENUE	CAPITAL	TOTAL			
2010-11	96,667	62,056	1,58,723	08.87	12.87	1.98
2011-12	1,07,996	67,902	1,75,898	10.82	13.10	1.90
2012-13	1,16,970	70,499	1,87,469	6.58	12.89	1.81

@ CGE - Central Government Expenditure

1.7.2 Air Force and Navy Expenditure

The total expenditure incurred by the IAF and Navy during 2010-2013 ranged between 41.62 and 43.21 *per cent* of the total defence expenditure. In the year 2012-13, while the expenditure of the IAF rose by 10.80 *per cent* from ₹46,134 crore to ₹51,118 crore, the expenditure of the Indian Navy decreased by 4.45 *per cent* from ₹31,270 crore to ₹29,879 crore, as compared to the previous year. The distribution of defence expenditure is depicted in the following Table:

(₹ in crore)

Year	DISTRIBUTION OF DEFENCE EXPENDITURE						
	Army	Air Force	Navy	Ordnance Factories	R&D	Others	Total
2010-11	80,830	38,782	27,285	1,532	10,197	97	1,58,723
2011-12	86,803	46,134	31,270	1,717	9,938	36	1,75,898
2012-13	94,500	51,118	29,879	2,104	9,863	5	1,87,469

1.7.3 Air Force Expenditure

A broad summary of the expenditure of the IAF is given in the Table below:

Air Force Expenditure

(₹ in crore)

Year	Total	Percentage change over previous year	As a percentage of total Defence Expenditure	Revenue	Capital
2010-11	38,782	(+)16.60	24.43	15,179	23,603
2011-12	46,134	(+)18.96	26.23	17,322	28,812
2012-13	51,118	(+)10.80	27.26	18,138	32,980

1.7.3.1 Capital Expenditure

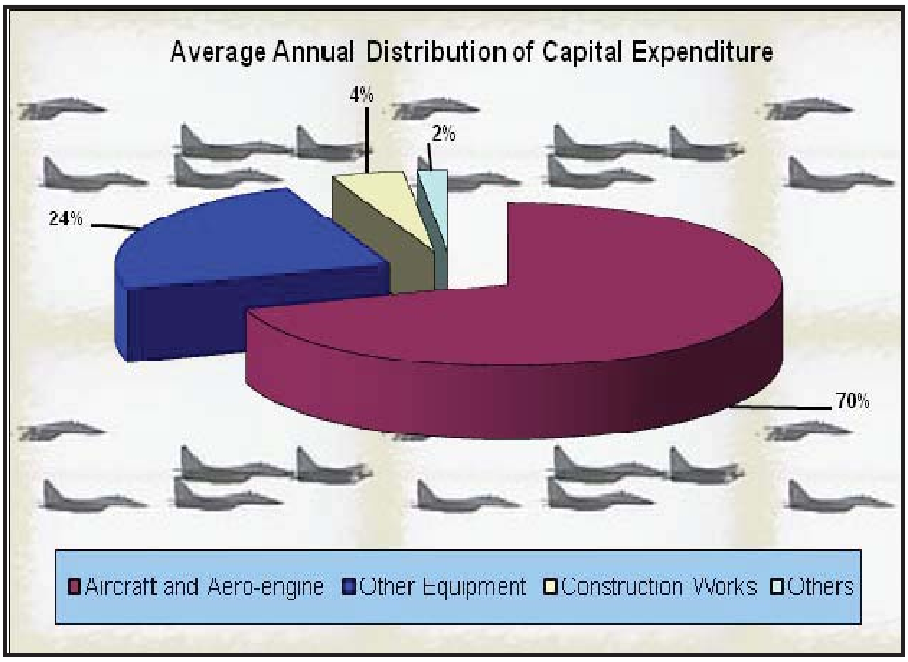
The Capital expenditure on the IAF rose by nearly 39.73 *per cent* during 2010-11 to 2012-13. In absolute terms, Capital expenditure increased from ₹23,603 crore in 2010–11 to ₹32,980 crore in 2012-13.

The Capital expenditure of the IAF was mainly incurred on acquisition of new aircraft and modernisation/upgradation of the existing aircraft. The average annual distribution of expenditure over the different categories for the last three years (2010-11 - 2012-13) for the IAF is depicted below in the Table as well as in the graph given below:

Capital Expenditure

(₹ in crore)

Year	Aircraft and Aero-engine	Construction work	Other equipment	Others	Total
2010-11	16,094	1,158	6,039	312	23,603
2011-12	20,274	1,153	6,788	597	28,812
2012-13	23,573	1,318	7,399	690	32,980



1.7.3.2 Revenue Expenditure

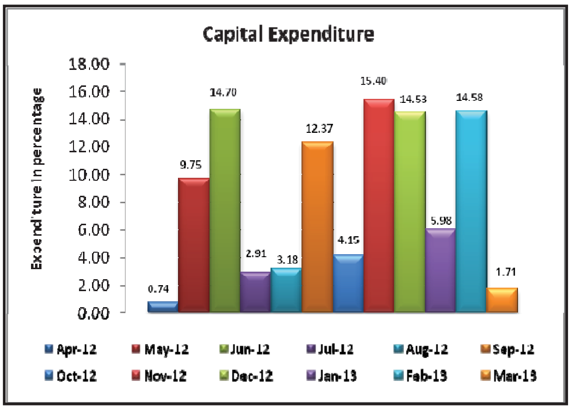
During 2010-11 to 2012-13, Revenue expenditure of the IAF increased by 19.49 *per cent* from ₹15,179 crore in 2010-11 to ₹18,138 crore in 2012-13. The Revenue expenditure of the IAF was mainly incurred on stores and special project, transport, works and pay and allowances. The average annual distribution of expenditure over different categories for the last three years is depicted below.

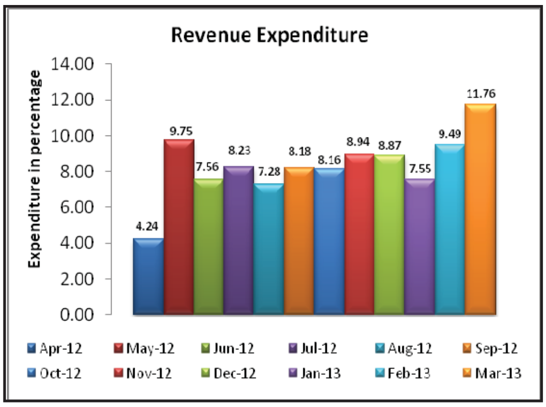
Revenue Expenditure

(₹ in crore)

Year	Pay and allowances	Stores and special project	Works	Transport	Others	Total
2010-11	6,856 (45%)	5,775 (38%)	1,692 (11%)	620 (4%)	236 (2%)	**15,179**
2011-12	7,532 (44%)	6,931 (40%)	1,800 (10%)	763 (4%)	296 (2%)	**17,322**
2012-13	8,378 (46%)	7,038 (39%)	1,775 (10%)	611 (3%)	336 (2%)	**18,138**

The flow of Capital and Revenue expenditure during the year 2012-13 is indicated below.





Scrutiny of expenditure revealed that there was an increase in the Revenue expenditure of IAF in March 2013. In this month (March 2013) IAF incurred 11.76 *per cent* of the Revenue expenditure.

1.7.4 Indian Navy Expenditure

A broad summary of the expenditure of the Indian Navy is given in the Table below.

Navy Expenditure

(**₹ in crore**)

Year	Total	Percentage change over previous year	As a percentage of total Defence Expenditure	Revenue	Capital
2010-11	27,285	(+) 18.96	17.19	10,145	17,140
2011-12	31,270	(+)14.60	17.78	12,059	19,211
2012-13	29,879	(-)4.45	15.94	12,119	17,760

The total expenditure on the Indian Navy decreased by nearly 4.45 *per cent* during 2012-13 as compared to 2011-12. The reduction was due to reduced Capital expenditure during 2012-13. In absolute terms, total expenditure decreased from ₹31,270 crore in 2011-12 to ₹29,879 crore in 2012-13.

1.7.4.1 Capital Expenditure

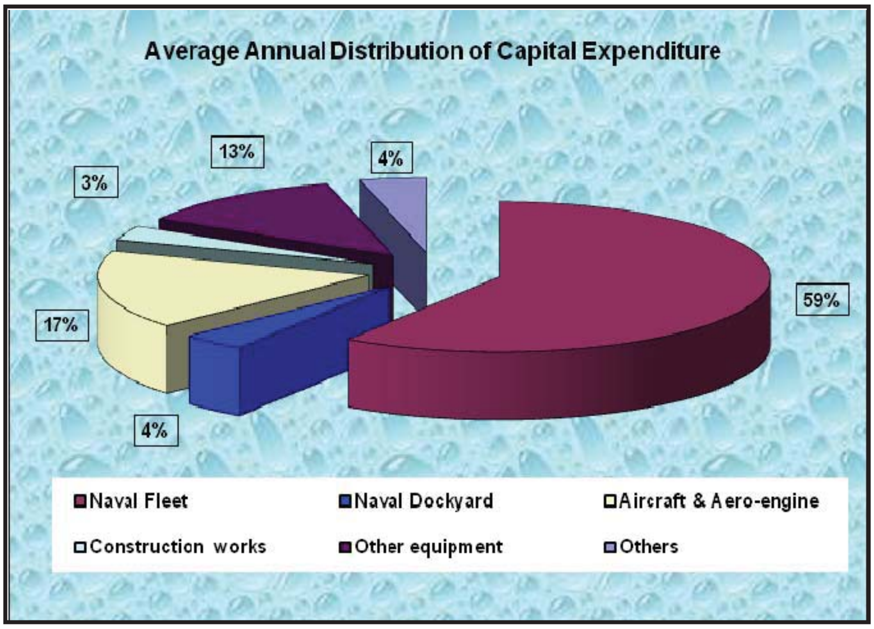
The Capital expenditure on the Indian Navy decreased by nearly 7.56 *per cent* during 2012-13.The decrease was mainly on account of less expenditure under the head acquisition of aircraft and aero engine as compared to the previous year. The average annual distribution of expenditure over the different categories for the last three years (2010-11 to 2012-13) for the Indian Navy is depicted below in the

Table as well as in the graph given below:

Capital Expenditure

(₹ in crore)

Year	Naval Fleet	Naval Dockyard	Aircraft and Aero-Engine	Const-ruction Works	Other Equip-ments	Others	Total
2010-11	10,620	720	3,187	637	1,578	398	17,140
2011-12	10,320	648	4,336	515	2,583	809	19,211
2012-13	11,074	752	1,695	527	2,773	939	17,760



1.7.4.2 Revenue Expenditure

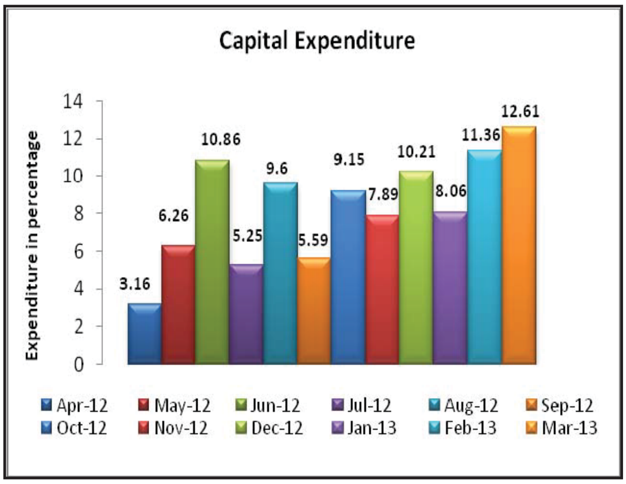
During 2010-11 to 2012-13, the Revenue expenditure of the Indian Navy increased by 19.46 *per cent* from ₹10,145 crore in 2010-11 to ₹12,119 crore in 2012-13. The Revenue expenditure of the Indian Navy was mainly incurred on stores and special project, transport, works, repairs and refit of aircraft carriers/frigates/other warships and pay and allowances. The average annual distribution of expenditure over different categories for the last three years is depicted below:

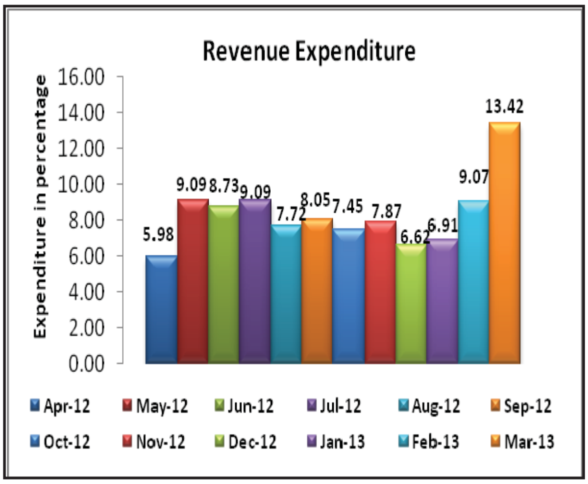
Revenue Expenditure

(₹ in crore)

Year	Pay and allow-ances	Stores	Works	Trans-port	Repair/ Refit	Others	Total
2010-11	3,731 (37%)	3,437 (34%)	701 (7%)	288 (2%)	606 (6%)	1,382 (14%)	10,145
2011-12	4,508 (37%)	4,173 (35%)	763 (6%)	353 (3%)	768 (6%)	1,494 (12%)	12,059
2012-13	4697 (39%)	3,982 (33%)	760 (6%)	380 (3%)	654 (5%)	1,646 (14%)	12,119

The flow of Capital and Revenue expenditure during the year 2012-13 is indicated below:





Scrutiny of expenditure revealed that the highest amount of Capital expenditure was incurred by the Indian Navy in the month of March 2013. Navy incurred 12.61 *per cent* of Capital expenditure in the month of March 2013 alone and 32.03 *per cent* of the Capital expenditure in the last quarter of the financial year.

1.8 Coast Guard Organisation

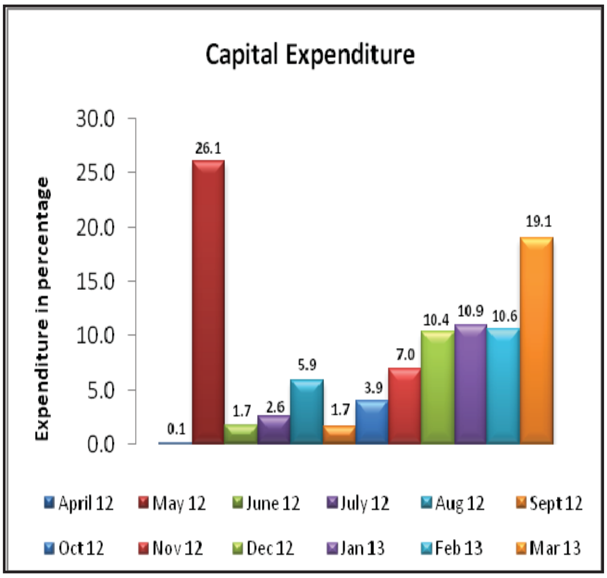
The budgetary allotments and expenditure incurred during 2010-11 to 2012-13 are tabulated below:

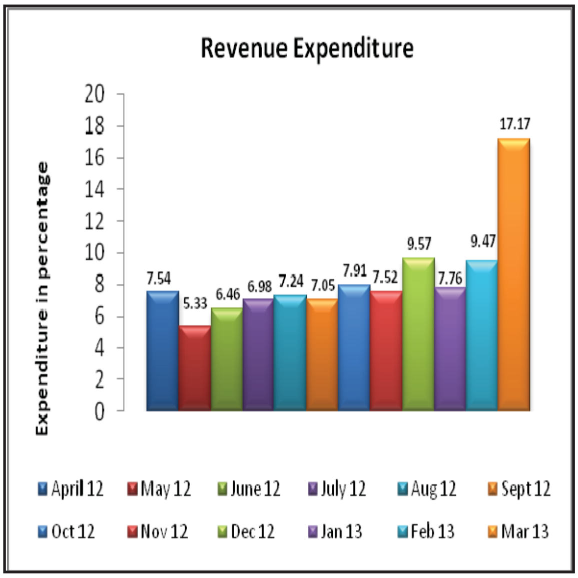
Coast Guard Expenditure

(₹ in crore)

Year	Budget Estimates			Final Grant/ Appro-Privation	Expenditure			Percent-age of BE which could not be utilised
	Capital	Revenue	Total		Capital	Revenue	Total	
2010-11	1,100.00	882.45	1,982.45	2,016.06	1,200.78	813.57	2,014.36	(-)01.61
2011-12	1,600.00	890.94	2,490.94	2,532.88	1,575.38	925.84	2,501.22	(+)0.41
2012-13	1,620.00	906.63	2,526.63	2525.41	1,564.71	945.35	2,510.06	(-) 0.66

The flow of Capital and Revenue expenditure during the year 2012-13 is indicated below:





Scrutiny of expenditure revealed that a substantial portion of Capital expenditure was incurred by the Coast Guard in the month of May 2012 and March 2013. The Coast Guard incurred about 19.1 *per cent* of the Capital expenditure in the month of March 2013 alone and 40.6 *per cent* of the Capital expenditure in the last quarter of the financial year. This reflected poor expenditure management by the Coast Guard. It was also observed that 34.40 *per cent* of the Revenue expenditure was incurred in the last quarter of the financial year but 17.17 *per cent* of the Revenue expenditure was incurred in the month of March 2013 alone.

1.9 Receipts of the Air Force, Navy and Coast Guard

The details of receipts and recoveries pertaining to the Indian Air Force, Indian Navy and the Coast Guard during the three years ending 2012-13 for the services that they provided to other organisations/ departments are given in the Table below:

Revenue Receipt

(₹ in crore)

Year	Receipt and Recoveries in respect of Air Force	Receipt and Recoveries in respect of Navy	Receipt and Recoveries in respect of Coast Guard
2010-11	592.92	175.00	13.33
2011-12	619.38	200.00	06.73
2012-13	605.26	200.00	34.41

1.10 Appropriation and expenditure

The summarised position of appropriation and expenditure during 2010-11 to 2012-13 in respect of the Air Force and the Navy is reflected in the Table below.

Appropriation and Expenditure

(₹ in crore)

AIR FORCE									
	Final Grant	**Actual Expend-iture**	**Total Excess/ Savings (+) / (-)**	**Final Grant/**	**Actual Expend-Iture**	**Total Excess/ Savings (+) / (-)**	**Final Grant/**	**Actual Expend-iture**	**Total Excess/ Savings (+) / (-)**
REVENUE	**2010-2011**			**2011-12**			**2012-13**		
Voted	15,802.41	15,177.70	(-) 624.71	16,753.53	17,321.43	(+)567.90	18,322.87	18,122.50	(-)200.37
Charged	2.13	1.00	(-) 1.13	3.23	0.58	(-)2.65	6.18	15.54	(+)9.36
CAPITAL									
Voted	23,537.99	23,575.91	(+) 37.92	28,253.82	28,766.24	(+)512.42	32,729.64	32,976.34	(+)246.70
Charged	26.77	27.66	(+) 0.89	51.36	45.84	(-)5.52	5.70	3.77	(-)1.93
Total	**39,369.30**	**38,782.27**	**(-) 587.03**	**45,061.94**	**46,134.09**	(+)1,072.15	**51,064.39**	**51,118.15**	(+)**53.76**
NAVY									
REVENUE	**2010-2011**			**2011-12**			**2012-13**		
Voted	10,002.52	10,141.36	(+)138.84	12,335.02	12,057.82	(-)277.2	12,741.82	12,095.95	(-)645.87
Charged	7.45	3.33	(-)4.12	11.91	0.91	(-)11.00	13.20	22.77	(+)9.57
CAPITAL									
Voted	16,898.32	17,136.09	(+) 237.77	17,920.69	19,210.86	(+)1,290.17	17,057.74	17,753.62	(+)695.88
Charged	6.95	4.08	(-)2.87	1.45	0.66	(-)0.79	8.68	6.26	(-)2.42
Total	**26,915.24**	**27,284.86**	**(+)369.62**	**30,269.07**	**31,270.25**	**(+)1,001.18**	**29,821.44**	**29,878.60**	**(+)57.16**

An analysis of the Appropriation Accounts, Defence Services for each of the three years has been included in the Report of the Comptroller and Auditor General of India for the relevant years, Union Government – Accounts of the Union Government.

1.11 Audit impact

1.11.1 Response of the Ministry to Draft Audit Paragraphs

On the recommendations of the Public Accounts Committee (PAC), the Ministry of Finance (Department of Expenditure) issued directions to all the Ministries in June 1960 to send their response to the Draft Audit Paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks.

The Draft Paragraphs proposed for inclusion in this Report were forwarded to the Secretary, Ministry of Defence between April 2014 and June 2014 through demi-official letters drawing attention to the audit findings and requesting a response within six weeks.

Despite the instructions of the Ministry of Finance issued at the instance of the Public Accounts Committee (PAC), the Ministry did not send replies to 26 Paragraphs out of 29[4] Paragraphs included in this Report. Thus, the response of the Ministry could not be included in respect of these paragraphs.

1.11.2 Action Taken Notes on Audit Paragraphs of earlier Reports

With a view to enforce accountability of the executive in respect of all issues dealt with in various Audit Reports, the PAC desired that Action Taken Notes (ATNs) on all paragraphs pertaining to the Audit Reports for the year ended 31 March 1996 onwards be submitted to them, duly vetted by Audit, within four months from the laying of the Report in Parliament.

Review of outstanding ATNs on Audit Paragraphs relating to the Air Force, Navy and Coast Guard as on 30 September 2014 showed that the Ministry had not submitted the initial ATNs in respect of two paragraphs included in the Audit Reports up to and for the year ended March 2012 as shown in Annexure I.

1.11.3 Outcome

Findings of earlier Reports have resulted in various procedural changes in Defence Procurement Procedure as well as systemic changes in operations of the audited entities. In addition, each year's audit also results in savings and recoveries. During 2010-11 to 2012-13 recoveries to the extent of ₹33.46 crore (₹2.39crore in respect of current Audit Report) and savings to the extent of ₹5.49 crore (₹1.55 crore in the current year) were effected at the instance of Audit.

[4] The introductory remarks included in Chapter I of this Report were not forwarded to the Ministry for their comments.