

OVERVIEW

The expenditure, including capital expenditure, during 2003-04 on Air Force and Navy was Rs 13,353 crore and Rs 10,242 crore respectively which, together, represent 38 *per cent* of the expenditure of Rs 62,429 crore on Defence Services.

Some of the major findings arising from test audit of transactions of the Air Force, the Navy, and associated units of the Defence Research and Development Organisation included in the Report, are discussed below:

I Avoidable expenditure on repatriation/ expatriation due to defective drafting of a contract

Three Naval frigates, Talwar, Trishul and Tabar acquired at a cost of Rs 3,040 crore were delivered after delays ranging from seven to thirteen months. Naval HQ failed to synchronise the training of the crew with the actual delivery schedule of the frigates and repatriate the crew even after uncertainties in the commissioning of the frigates became known. Irregular retention of crew and their premature expatriation earlier caused avoidable expenditure of Rs 30.12 crore. Navy also failed to levy liquidated damages of Rs 177.10 crore on the builder.

(Paragraph 2.1)

II Exploitation of Dornier Aircraft

Navy is yet to acquire vital operational role equipment for Dornier aircraft even nine years after approval for its acquisition. Thus, the role of eight aircraft acquired at a cost of Rs 188 crore during 1998-1999 was limited to mere surveillance as against the envisaged role of maritime reconnaissance and anti submarine warfare.

(Paragraph 2.2)

III Unauthorised operation of training institutions in Naval Bases

Indian Navy has been running three institutions imparting professional education in Naval Bases at Mumbai and Visakhapatnam without proper authorisation. These institutes utilise Naval infrastructure and installations located in high security areas. The amount received towards fee

amounting to Rs 2.40 crore *per annum* in respect of one institute was credited to non-public funds. Moreover the rent levied on these institutions *per annum* was less than the assessed rent.

(Paragraph 2.3)

IV Procurement of compressor condensing units

Against the requirement for new compressor condensing units (CCU), Naval HQ procured six CCUs of 13 year vintage at two-thirds the cost of new units. The CCUs, procured on emergency basis through exercise of special financial powers, were delivered late. Consequently, the units, valued at Rs 1.54 crore, were lying unused in stock since January 2003.

(Paragraph 4.2)

V Delay in development of Advanced Experimental Torpedo

A time bound staff project undertaken by DRDO on the specific requirement projected by the Navy failed to fructify, despite delay of 12 years and after incurring an expenditure of Rs 46.24 crore. This compelled the Navy to continue using vintage torpedoes by extending their life, compromising defence preparedness.

(Paragraph 5.2.)

VI Non commissioning of an equipment

Failure of Directorate General Naval Project to take cognisance of the special instructions for installation detailed in the technical manual of the OEM resulted in equipment imported at a cost of Rs 2 crore remaining uninstalled since April/October 1997.

(Paragraph 4.8)

VII Recovery from PSUs at the instance of Audit

At the instance of Audit, the Defence Accounts Department recovered Rs 3.93 crore towards interest from Bharat Dynamics Limited. Repair charges of Rs 26.45 lakh for manufacturing defect and excess payment of Rs 23.18 lakh due to wrong application of rates were also recovered from Hindustan Aeronautics Limited.

(Paragraph 2.6)

VIII Recovery at the instance of Audit

At the instance of Audit, Indian Air Force deposited Rs 21.40 lakh, realised from tea gardens, into Government Account. In another case, erroneous payment of Rs 5.53 lakh on account of composite transfer grant and baggage allowance to commissioned officers on first appointment was also recovered by IAF.

(Paragraph 3.5)

IX Irregularity in purchase of mosquito nets

Headquarter Maintenance Command wrongly granted Proprietary Article Certificate for mosquito nets to Reliance Industries and placed single tender on it. Subsequently mosquito nets valued at Rs 3.78 crore were purchased from the same firm, arbitrarily inflating the requirements.

(Paragraph 3.1)

X Lack of competitive tendering in purchase of clothes for Naval uniforms

Naval HQ procured uniform material costing Rs 9.94 crore before their approval for introduction. The material was procured on single tender basis from Reliance Industries and resulted in extra expenditure of Rs 3.62 crore when compared with the rates obtained subsequently on competitive tendering.

(Paragraph 4.7)

XI Ill-conceived augmentation of testing facilities

Based on an incorrect assessment of the commercial viability of augmented Lightning Test Facilities, the Centre for Airborne Systems, Bangalore invested Rs 1.20 crore on testing facilities that remained unutilised even after four years of augmentation.

(Paragraph 5.1)

XII Avoidable expenditure due to unauthorised life extension of helicopter

IAF extended the calendar life of a helicopter without authorisation from the Original Equipment Manufacturer or appropriate technical documentation. When the helicopter collapsed due to manufacturing defect, Original Equipment Manufacturer refused to repair it free of cost, citing extension of life without their approval. The helicopters had to be repaired at an expenditure of Rs 3.49 crore which was avoidable.

(Paragraph 3.4)

XIII Non accounting of revenues earned from Defence Assets

Navy and Air Force diverted income generated by exploiting defence funds and assets to non public fund. Navy credited the gate receipts, conservatively estimated at Rs 1.10 crore, of a museum run on a decommissioned Navy ship to a non public fund. Air Force credited recurring annual income of Rs 29.29 lakh earned on golf courses on Defence land to a non public fund.

(Paragraph 2.5)

XIV Procurement of spares for Compressor Condensing Units

Delay in conclusion of a contract for compressor condensing units (CCU) and its spares by Naval HQ resulted in re-tendering, consequent higher cost and avoidable expenditure of Rs 1.70 crore. The CCUs valued at Rs 1.12 crore were procured in violation of norms. Though the items were procured through exercise of special emergency powers, more than 80 per cent of the items under the contract were due to be received, even two years after signing of the contract.

(Paragraph 4.3)

XV Procurement of spares for frigates

Navy imported 446 items of spares exercising special financial powers delegated for meeting operational requirements. More than 90 *per cent* of the imported items remained in stock indicating that the import, citing operational reasons, was unjustified. The import was resorted to despite the fact that 252 items were indigenously available with HAL, of which 114 items

were cheaper by Rs 1.76 crore. Past trend in consumption revealed that procurement of seven items involving Rs 10.41 crore was unnecessary. Also, the foreign firm charged different prices for the same item, resulting in excess payment of Rs 0.40 crore.

(Paragraph 4.4)

XVI Unfruitful import of equipment

Failure of Navy to ensure suitability of water gauges prior to purchase resulted in their remaining uninstalled even four years after their receipt in August 2000 and unfruitful expenditure of Rs 0.85 crore.

(Paragraph 4.6)