

# Audit Paragraphs relating to Works Services

## 4.1 Excess provision of hangars resulting in avoidable expenditure of ₹24.28 crore

**Incorrect projection of requirement resulted in excess provision of hangars at an avoidable cost of ₹24.28 crore.**

Indian Air Publication (IAP)-2501 provides that proposal for creation of assets should contain complete details of authorised strength including turnover of aircraft with particular AF unit. Further the need for the work services and its scope must be properly examined and justified before sanction is accorded by Competent Financial Authority (Scales of Accommodation for Defence Services 2009).

The Policy Page of AFS, Bidar was revised (September 2010) and it became authorised for two Squadrons (Hawk Operating Training School 'A' and 'B') with 24 aircraft each and 18 aircraft in reserve. With this revision AFS Bidar was authorised for 66 aircraft (24+24+18). Board of Officers (BOO) subsequently proposed (November 2010) work services for 'Construction of Hangar No. 6, Tarmac and Associated Works' to accommodate 28 aircraft.

Accordingly, the Ministry sanctioned (March 2012) work at an estimated cost of ₹38.77 crore with a PDC of 156 weeks. Chief Engineer (Air Force) Bengaluru concluded a contract in March 2014 for ₹32.37 crore with the date of commencement and completion as April 2014 and January 2016 respectively.

Audit observed (July 2014) that BOO failed to assess the correct requirement as with revision in Policy page the total sanctioned strength of aircraft at AFS, Bidar was 66 and hangar space accommodation was available for 41 aircraft and six aircraft would always be with HAL for advanced servicing on rotation basis and would not require hangar space. Thus, total deficiency of accommodation was for 19 (66-41-6=19) aircraft, but Board assessed the

deficiency for 28 aircraft, which would lead to creation of excess hangar space/infrastructure for nine aircraft with a financial implication of ₹12.46 crore (calculated on proportionate basis on Administrative Approval amount).

In reply AFS Bidar partially accepted the audit observation and stated (July 2014) that there was deficiency for accommodation for 25 aircraft and the construction of Hangar No. 6 was proposed for accommodation for 28 aircraft, *i.e.* excess accommodation for three aircraft.

Based on audit observation Air HQ instructed (May 2015) HQTC to prepare a Statement of Case (SoC) to be taken up with the Ministry of Defence for regularisation of excess provision of storage accommodation for aircraft. Accordingly, AFS Bidar initiated (August 2015) a SoC to regularise excess provision of aircraft hangars resulting in an additional expenditure of ₹12.46 crore, *i.e.* amount for excess accommodation for nine aircraft.

However, as against the audit observation of July 2014, the physical progress of work was 'NIL' as of June 2014 and the IAF initiated the SoC belatedly for regularisation only instead of timely review and reduction of excess provision.

Audit further noticed from the records that hangar no. 5 was constructed in May 2008, to accommodate nine aircraft (Hawk AJT). With this AFS, Bidar actually had the storage capacity for 53 aircraft as under:

- a) Hangar no. 1, 3 & 4 can accommodate 12 aircraft each
- b) Hangar no. 2 can accommodate eight, and
- c) Hangar no. 5 can accommodate nine aircraft

Thus, while capacity of 53 aircraft already existed with AFS, the BOO at the time of processing the case for hangar no. 6 assessed the storage capacity already available for 41 aircraft only. Therefore, the actual deficiency of accommodation was for only seven aircraft, but AFS Bidar projected the deficiency for 28 aircraft and created excess infrastructure for 21 aircraft with

financial implication of ₹24.28 crore (calculated on proportionate basis on contract amount). In response to an audit query (December 2015), HQTC stated (January 2016) that the capacity of hangar No. 1 was for eight aircraft, which, however, is not acceptable as the BOO had taken (2003) the capacity of this hangar for 12 aircraft while assessing the requirement for construction of hangar No. 5.

The Ministry in their reply (April 2016) stated that Hangar No. 1,2,3 and 4 can accommodate eight aircraft each and Hangar No. five can accommodate nine aircraft. Thus AFS Bidar had the storage capacity for 41 aircraft. The Ministry further stated that BOO (November 2010, for Hangar No 6) erroneously assessed deficiency, which actually was for 19 aircraft. Since Hangar No. 6 was constructed with a capacity of 28 aircraft, it led to creation of excess hangar space for nine aircraft (with a financial implication of ₹12.46 crore) and not 21 aircraft. The Ministry also stated that the excess hangar space will be utilized to park nine Hawk aircraft of Air Force Aerobatic Team.

Audit is not in agreement with the Ministry's views that storage capacity at AFS Bidar was only for 41 aircraft; as even considering BOO (November 2010) made a mistake, earlier BOO (December 2003, at the time of construction of Hangar No. 5), had clearly mentioned that, each hangar (No. 1, 3 & 4) can accommodate 12 aircraft each. Therefore, the existing capacity at the time for planning of hangar No. 6 at AFS Bidar was 53 and not 41, resulting in planning of excess capacity for 21 aircraft. Utilisation of the excess hangers for Hawk aircraft was an afterthought.

Hence by incorrectly assessing actual storage facilities already available, the requirement was wrongly assessed and projected to the sanctioning authority thereby creating an avoidable burden of ₹24.28 crore to the exchequer. Incorrect assessment by BOO led to failure of important internal control mechanism.

## 4.2 Irregularities in drafting tender resulting in excess payment

**Insertion of irregular price adjustment clause in the contract for construction of infrastructure for induction of Medium Light Helicopter (MLH) resulted in extra payment of ₹4.27 crore as the contractor was found using excess cement continuously.**

As per Military Engineer Services (MES) Manual of Contract-2007, there shall be no requirement of specifying cement content for pricing purpose of design mix concrete and therefore no provision should be there for price adjustment on account of variation in cement contents of design mix approved and minimum cement content indicated in tender.

Ministry of Defence accorded (April 2010) an Administrative Approval (AA) for creation of infrastructure for induction of Medium Light Helicopter (MLH) at Air Force Station (AFS) Srinagar for ₹91.52 crore. The work was divided into four segments for purpose of contracts/tenders. For one of these segment *i.e.* 'Provision of dispersal/taxi track', Chief Engineer (CE, AF), Udhampur issued technical sanction (June 2010) for ₹22.11 crore, which was subsequently revised (September 2010) to ₹27.94 crore.

Tender document initially issued in October 2010 included a clause<sup>1</sup> that 'no price adjustment shall be applicable if excess quantity of cement content is used/approved in the execution of work which was in accordance with provisions of the MES Manual of Contract-2007. However subsequently relevant clause was revised through an amendment (January 2011) by Deputy Director (Contract), Hqrs, CE (AF), Udhampur to include price adjustment as - 'However, plus/ minus price adjustment shall be made for more/ less quantity of cement used in the work....'.

The contract was concluded (February 2011) with M/s Hassan Road Construction Company (Pvt.) Ltd for ₹17.72 crore and National Institute of Technology (NIT), Srinagar was chosen as the material testing laboratory.

In March 2011, Garrison Engineer (GE) collected two samples of concrete design mix from the contractor, one each for Pavement Quality Concrete

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<sup>1</sup> Under Para 11 of schedule 'A' Notes.

(PQC) and Dry Lean Concrete (DLC), and forwarded the same to National Institute of Technology (NIT), Srinagar to ascertain quality of design mix including cement content. NIT reported (April 2011) that the cement content was 442 kg/cubic meter (cum) for PQC and 295 kg/ cum for DLC against the prescribed 400 kg/cum and 208 kg/cum respectively. Despite excess cement in the samples of concrete mix, GE/CE approved both the samples. Subsequent samples sent to NIT Srinagar were also found to contain excess cement.

Audit observations in the case are as under:

- a) Insertion of the price adjustment clause for cement content was a deviation from the MES Manual of Contract. Reasons for the deviation and approval of the competent authority for the deviation were not on record.
- b) Samples were found to contain excess cement of 42 Kg per cum and 87 Kg per cum than that required but neither GE nor CE had instructed the contractor to put proper cement content in concrete mix as specified in the contract.
- c) When the physical progress of above work was 44 *per cent*, CE intimated (September 2011) HQ CE Northern Command (NC) that the quantity actually required at site was 77500 square metre (sqm), as against the quantity of 92000 sqm included in the tender/contract without any justification.
- d) Technical sanction was enhanced from ₹22.11 crore to ₹27.94 crore, however there was no reason for such enhancement on record.

Thus, due to insertion of price adjustment clause and continuous usage of extra cement by the contractor, an additional payment of ₹4.27 crore for the excess content of cement in the concrete mix was made till completion of 63 *per cent* of work. The extra payment would increase with further progress of work.

In response to audit observation, GE replied (October 2015) that the additional payment had been made to the contractor as per provisions of the contract while Air HQ stated (November 2015) that IAF has no role in tender planning / awarding the contract to the contractor.

Reply of GE is not acceptable because the insertion of price adjustment clause in tender/contract was in contravention of standard clause of the MES Manual of Contract. Moreover, the sample concrete design mix was approved by CE despite the awareness of excess cement content therein and very high rates for cement included in the contract.

Thus, insertion of irregular price adjustment clause in the contract had resulted in extra payment of ₹4.27 crore to contractor till 63 *per cent* progress of the work.

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

### **4.3 Excess provision of 200 seats capacity in an Auditorium**

**There was excess provision of 200 seats capacity in an Auditorium sanctioned in March 2013 for Air Force Station, Maharajpur in Gwalior due to deviation from Scale of Accommodation - Defence Services 2009, which resulted in an extra provision of ₹1.29 crore in sanction.**

Scales of Accommodation for Defence Services (SOA DS) 2009 authorises provision of Auditorium-Cum-Cinema Halls on station basis and size of the hall to cater for the troops strengths as given below (Para 8.1.1): -

- (a) One hall of 400 seats- troops strength 3000 to 5000
- (b) One hall of 600 seats- troops strength 5001 to 7500
- (c) One hall of 900 seats- troops strength 7501 to 10000
- (d) One hall of 1200 seats- troops strength 10001 to 15000

Authorised establishment of a unit or establishment comprises of the personnel on the sanctioned establishment or borne on the war establishment or peace establishment, as also any civilian staff authorised on the strength of the unit. It however excludes personnel on attachment.

A Board of Officers (BOO) assembled on 1<sup>st</sup> March 2012 at Air Force Station (AFS), Maharajpur in Gwalior to assess the requirement of a suitably sized auditorium at AFS Maharajpur. BOO worked out the strength of the station as

5320 and recommended provision of 600 seater auditorium, which was approved (March 2013) by Air Officer Commanding (AOC) of the AFS and concurred (March 2013) by Principal Integrated Financial Advisor.

Air HQ accepted the necessity and accorded (March 2013) Administrative Approval for 'Provision of station auditorium at AFS Maharajpur' at an estimated cost of ₹831.08 lakh with probable date of completion (PDC) as 104 weeks from the date of release of funds. The PDC for the work was further extended up to February 2016 and the progress of work was 28 *per cent* as on May 2015.

Audit observed that while working out the sanctioned establishment of the station as 5320, Air Force authorities included sanctioned establishment (783 nos) of Military Engineer Services (MES) units. This was not in order as the sanctioned establishment of MES is not covered by SOA DS-2009 for constructing an auditorium-cum-cinema hall. The sanctioned establishment of the AFS was 4537 only, against which the posted strength was 4120. Therefore, as per the SOA DS-2009, the station was authorized for 400 seating capacity auditorium, against which AFS projected the requirement of 600 seats auditorium. This excess projection of 200 seats in the auditorium resulted in an extra provision of ₹1.29 crore.

In response to audit observation, AFS Maharajpur stated (June 2015) that the station with troops strength 5001 to 7500 is authorized for Auditorium-cum-Cinema Hall with a seating capacity of 600 seats. It was further stated that Accommodation Statement Part I was prepared based on Key Location Plan (KLP) units and authorized establishment. MES units are KLP units of the station.

Air HQ stated (July 2015) that civilian staffs paid out of defence estimates form a part of troops and play a very crucial role directly or indirectly to accomplish the mission assigned to the IAF. This is the reason for extending all facilities being provided for troops to defence civilians. The authorised establishment authorises inclusion of civilian on the strength of the unit as contained in Para 2.10 of SOA DS-2009.

The reply furnished by Air HQ is not acceptable because as per Policy Page of AFS Maharajpur, the sanctioned establishment of MES units is not part of sanctioned establishment of AFS Maharajpur. Also, the reply of Air HQ is contradictory to laid down rules of SOA DS -2009 and Air HQ did not

produce any authority for taking in to account the strength of defences civilian which are not borne on strength of the units. Further, Air HQ had issued directions to another station on similar issue to scale down the project for construction of station Auditorium from 600 seats to 400 seats after the audit observation.

The Ministry accepting the audit observation stated (April 2016) that the error in calculation was due to interpretation of word ‘troops’ at Para 8.1.1 of SOA instead of authorized establishment and lapse in calculating the authorization of seating capacity for Auditorium is accepted. The same needs to be regularized.

Thus, due to deviation with the Rules prescribed for the Scale of Accommodation, there was excess projection of 200 seats capacity in the Auditorium, which resulted in an extra provision of ₹1.29 crore.

#### **4.4 Avoidable creation of permanent assets at a cost of ₹1.10 crore**

**Air Force Station (AFS) Thanjavur created permanent infrastructure by using provisions meant for exceptional circumstances, for housing temporary Unmanned Aerial Vehicle (UAV) squadron which operated only for two months at the AFS.**

As per Indian Air Publication (IAP) 2501, work services with permanent specifications for non-Key Location Plan (KLP)<sup>2</sup> units are not authorised. Further, all works services catering to period less than five years are to be constructed to specifications of lowest possible type [Para 13 of Defence Works Procedure (DWP)]. However, for unexpected circumstances like unforeseen operational necessity or urgent medical grounds or out of natural disasters, the normal procedure can be short circuited and works can be undertaken as per Para 11 of DWP-1986 or Para 35 of DWP-2007.

Based on Task Directive (May 2007) of Air HQ, Headquarters Southern Air Command (HQ SAC), Trivandrum and Air Force Station (AFS), Thanjavur accorded two ‘Go-ahead’ sanctions in July 2007 and in December 2007

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<sup>2</sup> KLP- It includes formations, units, sub-units, detachments to be located in a station on permanent basis.

respectively. Against these 'Go-ahead' sanctions, Administrative Approvals (AA) were issued in May 2008 for ₹48.01 lakh and in April 2009 for ₹47.46 lakh by AFS Thanjavur and HQ SAC respectively. HQ SAC also issued another AA in January 2010 for ₹14.95 lakh. Thus, three sanctions/AAs amounting ₹1.10 crore were issued for creation of permanent infrastructure to facilitate the move of one UAV squadron from AFS Suler to AFS Thanjavur which was a temporary non-KLP unit. Though, UAV squadron was to operate from Thanjavur from July 2007, it actually moved in January 2009 and operated at the base till March 2009 (*i.e.*, only for two months).

Audit observed that:

- All three works services were completed and taken over by IAF between June 2009 and November 2010 *i.e.*, by which time UAV squadron had already moved out of AFS Thanjavur.
- UAV squadron was not in KLP of AFS Thanjavur.
- It was also observed that initially AFS, Thanjavur proposed to construct infrastructure (parking shed) with temporary specification, however sanction was issued for creation of permanent infrastructure for UAV Squadron.
- No evidence requiring works to be undertaken under Para 35 of DWP, *i.e.* emergency situation was evident. Further, there was no evidence towards induction of UAV Squadron at AFS Thanjavur in near future.
- HQ SAC issued (April 2009 and January 2010) two sanctions for ₹62.41 lakh after UAV squadron had moved from the base.

Thus, issuance of work sanctions for creation of assets for a temporary unit using procedure for emergency situation was irregular and required sanction from the Ministry of Defence (MoD).

In response to audit observation AFS, Thanjavur stated that UAV Squadron was to operate from July 2007 onwards, however, due to operational necessities a detachment of UAV Squadron was operated for a specific period in year 2009. Further, it was also stated that, pending permanent induction of UAV Squadron, the assets were being utilized for parking of Power Hangar Glider (PHG), Microlite Aircraft and other accessories, for which no infrastructure was created.

HQ SAC in their reply (August 2015) accepted the facts and stated that according admin approval for non-KLP unit was not in order. HQ SAC stated further that since induction of UAV Squadron had been planned for 2018 hence permanent infrastructure was created with a view to utilize these assets by the Combat Squadron even after withdrawal of the UAV detachment. HQ SAC also forwarded (September 2015) to audit a copy of their advice to AFS, Thanjavur to prepare and forward a detailed Statement of Case for taking up the case with Air HQ for obtaining the sanction of the Ministry of Defence (MoD).

The fact remains that action to remedy the irregularity was initiated by HQ SAC only after being pointed out by Audit.

The Ministry in its reply stated (April 2016) that positioning of UAV squadron was planned keeping the LTTE threat in mind and creation of temporary infrastructure for UAV was planned under Para 35 of DWP-2007 due to unforeseen operational requirement. However, at later stage it was felt that the station does not have any other infrastructure for any kind of operational requirement, hence instead of temporary structure, creating permanent structure would save exchequer in long run. The structure shall be completely utilised in future as many operational activities are planned in the station and the same being used now. The Ministry also stated that one UAV Squadron has been planned for induction at AFS Thanjavur by 2018.

The reply of the Ministry may be viewed in light of fact that UAV squadron operated for a period of two months only (January 2009 to March 2009) and permanent infrastructure created / taken over between June 2009 and November 2010 when UAV squadron had already moved out of AFS, Thanjavur and also no UAV squadron operated from AFS, Thanjavur after March 2009. Further, the Ministry's clarification regarding planned induction of UAV Squadron by 2018 could not justify avoidable creation of permanent assets as work services were completed in 2010 and UAV Squadron was planned to be inducted only by 2018.

Thus creation of permanent infrastructure for a non-KLP Unit was without due regard to the provisions of IAP 2501 and Defence Works Procedure resulting in creation of permanent infrastructure at an expenditure of ₹1.10 crore.