Report of the
Comptroller and Auditor General of India

for the year ended March 2015

Union Government (Defence Services)
Air Force
No. 18 of 2016

CONTENTS

Photographs : Courtesy IAF

PREFACE

This Report for the year ended March 2015 on Indian Air Force, on matters arising from test audit of the financial transactions and operational performance relating to Indian Air Force has been prepared for submission to the President under Article 151 of the Constitution. The issues related to Indian Air Force arising from audit of records of the Ministry of Defence and Military Engineer Service, are also part of this Report.

The instances mentioned in this Report are those, which came to notice in the course of test audit for the period 2014-15 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports; instances relating to the period subsequent to 2014-15 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

OVERVIEW

The total expenditure of the Defence Services during the year 2014-15 was ₹2,37,394 crore. Of this the Indian Air Force (IAF) spent ₹55,481 crore which was 23 *per cent* of the total expenditure on the Defence Services. The major portion of expenditure of IAF was capital in nature, constituting 59 *per cent* of their total expenditure.

This Report contains major findings arising from the test audit of transactions of IAF, Military Engineer Service, Hindustan Aeronautics Limited and related records of the Ministry of Defence. An amount of ₹11.20 crore was recovered after having been pointed out by Audit. Highlights of findings included in the Report are as under:

I Audit of Air HQ Communication Squadron (AHCS)

Utilization of current VIP fleet was low and its low utilization observed in C&AG's Audit Report of 1998, was further reduced. Significant flying efforts went in training of pilots although for Embraer aircraft and Mi-8 helicopter the training was lower than that prescribed in Air Force Orders.

The controls designed to ensure that OEPs utilized the VIP fleet only in inescapable cases for routes connected by commercial air services were not working. Detention charges amounting to ₹32.25 crore were not raised/levied.

Procedure for authorization of VIP flights for senior service officers was not followed. Further despite assurance given by MoD in Action Taken Note, Indemnity Bonds and Duty Flight Certificates were not being obtained from users of airlift.

(Chapter II)

II Acquisition and operation of C-17 Globemaster III aircraft

IAF procured (June 2011) ten C-17 Globemaster III aircraft and associated equipment at a total cost of USD 4,116 million (₹18645.85 crore) from Government of United State of America (USG) under Foreign Military Sales (FMS) route. There was delay in completion of specialist infrastructure and setting up of simulators required for training to pilots and loadmasters was also

delayed. Operational capabilities of C-17 aircraft were under-utilized partially due to non-availability of runway with appropriate pavement classification number (PCN) and lack of ground equipment at various bases.

(Paragraph 3.1)

III Procurement of 14 additional Dornier aircraft

Indian Air Force (IAF) worked out the requirement of Dornier aircraft at below the envisaged utilisation rate resulting in procurement of 14 additional aircraft costing ₹891 crore.

(Paragraph 3.2)

IV Refurbishment of 'X' system

IAF failed to timely conclude contract which led to extra expenditure of ₹19.31 crore due to rate revision by OEM. The Total Technical Life (TTL) of 104 'X' systems expired in April 2009, but even after lapse of over six years and incurring expenditure of ₹101.52 crore, efficacy of 'X' system was doubtful.

(Paragraph 3.3)

V 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.

(Paragraph 4.1)

VI 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.

(Paragraph 4.2)

VII 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.

(Paragraph 4.3)

VIII 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.

(Paragraph 4.4)

IX In-effective usage of Access Control System

Access Control Systems (ACSs) procured for 100 AF units at ₹13.65 crore had shortcomings. Further, in spite of procurement of add-on facilities to enhance its utility at additional ₹7.38 crore, the utilisation of the ACS was ineffective.

(Paragraph 5.1)

X Irregular payment of Transport Allowance

Transport Allowance was paid even while AF officers/ Airmen were absent from their places of regular duty for full calendar month, which was in contravention to orders of the Ministry of Defence and Air HQ.

(Paragraph 5.2)

XI Avoidable expenditure of ₹131.45 lakh due to payment of Electricity tax

Despite provisions for exemption of electricity tax available under Article 287 of Constitution of India, Air Force Station New Delhi paid ₹131.45 lakh on account of electricity tax to New Delhi Municipal Corporation during April 2009 to December 2014.

(Paragraph 5.3)

XII Avoidable expenditure of ₹80.07 lakh on repair of an aero engine

Failure of the Indian Air Force (IAF) to ensure compliance to the contractual provisions against unauthorized trans-shipment led to avoidable payment on repair of the aero engine damaged in transit.

(Paragraph 5.4)

GLOSSARY

AA	Administrative Approval
AAR	Air to Air Refuelling
AHCS	Air Headquarter Communication Squadron
ACS	Access Control System
AFLE	Air Force Liaison Establishment
AFO	Air Force Order
ALG	Advance Landing Ground
ASQR	Air Staff Qualitative Requirements
ATN	Action Taken Note
AUW	All-up-weight
BOO	Board of Officers
BRD	Base Repair Depot
CAS	Chief of Air Staff
CCEA	Cabinet Committee on Economic Affairs
CCS	Cabinet Committee on Security
CDA	Controller of Defence Accounts
CE(AF)	Chief Engineer, Air Force
CNS	Chief of Naval Staff
COAS	Chief of Army Staff
CWE (AF)	Commander Works Engineer, Air Force
DAC	Defence Acquisition Council
DAD	Defence Accounts Department
DLC	Dry Lean Concrete
DPM	Defence Procurement Manual
DPP	Defence Procurement Procedure
DR	Discrepancy Report
DRDO	Defence Research and Development Organisation

DWP	Defence Works Procedure
ED	Equipment Depot
FET	Field Evaluation Trials
FMS	Foreign Military Sales
FMTS	Full Motion Training Simulator
GE (AF)	Garrison Engineer, Air Force
HAL	Hindustan Aeronautics Limited
IGA	Inter-Governmental Agreement
IRLA	Individual Running Ledger Account
LC	Letter of Credit
LD	Liquidated Damages
LOA	Letter of Agreement
LOR	Letter of Request
MES	Military Engineer Services
MoCA	Ministry of Civil Aviation
NDMC	New Delhi Municipal Corporation
OEM	Original Equipment Manufacturer
OEP	Other Entitled Person
OR	Operational Requirements
PCDA	Principal Controller of Defence Accounts
PCN	Pavement Classification Number
POR	Personnel Occurrence Report
PQC	Pavement Quality Concrete
QFTR	Quarterly Flying Training Return
RFI	Request for Information
RFP	Request for Proposal
ROE	Rate of Effort
SCAPCC	Services Capital Acquisition Plan Categorisation Committee
SEPC	Staff Equipment Policy Committee

SESF	Special Extra Section Flights
SFR	Special Flight Return
SOA	Scales of Accommodation
SoC	Statement of Case
SOR	Schedule of Requirement
Sqn	Squadron
SQR	Service Qualitative Requirements
SSO	Senior Service Officer
TOC	Technical Oversight Committee
TPT	Transport
TTL	Total Technical Life
VHETAC	Very Heavy Transport Aircraft

CHAPTER I Introduction

1.1 Profile of the audited entities

This Report relates to matters arising from the audit of the financial transactions of Indian Air Force (IAF) and relevant records relating to IAF of the following organisations:

- Ministry of Defence (MoD)
- Defence Accounts Department dealing with IAF
- Military Engineer Services (MES) dealing with IAF
- Defence Research and Development Organisation (DRDO) and its laboratories dedicated primarily to IAF
- Hindustan Aeronautics Limited (HAL)

Indian Air Force was founded in October 1932. Its mission is defined by the Air Force Act of 1950 in the aerial battle space as: "Defence of India and every part thereof including preparation for defence and all such acts as may be conducive in times of war to its prosecution and after its termination to effective demobilisation".

It is headed by the Chief of the Air Staff. The overall administrative, operational, financial, technical maintenance and control of IAF rest with Air HQ. Indian Air Force has seven commands, of which five are operational and two functional commands (one Training Command and one Maintenance Command). Operational and maintenance units of IAF normally consist of wings and squadrons, signal units, base repair depots and equipment depots.

The Defence Accounts Department headed by the Controller General of Defence Accounts is responsible for accounting of defence services expenditure and receipts as well as defence pensions and also provides services in terms of financial advice.

Military Engineer Services (MES) provides engineering support to the Services including IAF. It is one of the largest Government construction

agencies with annual budget of approximately ₹9,000 crore. Engineer-in-Chief is the head of the MES.

Defence Research and Development Organisation (DRDO) undertakes design and development of weapon systems and equipment in accordance with the expressed needs and the qualitative requirements given by services. It has 52 laboratories of which nine normally provide services to Air Force.

Hindustan Aeronautics Limited (HAL), a *Navratna* company under the Ministry of Defence, is engaged in design, development, manufacture, upgrade, repair and overhaul of aircraft, helicopters, aero-engines, avionics and navigation system equipment and marine & industrial gas turbine engines for both military and civil applications. The management of HAL is vested in the Board of Directors headed by a Chairman and Managing Director assisted by Functional Directors (four), Government Directors (two) and Independent Directors (seven).

1.2 Authority for audit

Article 149 of the Constitution of India, the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 and Regulations of Audit and Accounts 2007 give authority for audit and detailed methodology of audit and its reporting.

Office of the Principal Director of Audit, Air Force [PDA (AF)], New Delhi, along with its two branch offices at Bengaluru and Dehradun, is responsible for audit of Air Force and other related organisations**.**

1.3 Audit methodology and procedure

Audit is prioritised through an analysis and evaluation of risks so as to assess their criticality in key operating units. Expenditure incurred, operational significance, past audit results and strength of internal control are amongst the main factors which determine the severity of the risks. An annual audit plan is formulated to conduct audit on the basis of risk assessment.

Audit findings of an entity / unit are communicated through Local Test Audit Reports / Statement of Cases. The response from the audited entity is considered which may result in either settlement of the audit observation or referral to the next audit cycle for compliance. Serious irregularities are processed as draft paragraphs for inclusion in the C&AG's Audit Reports which are submitted to the President of India under Article 151 of the Constitution of India, for laying before each House of Parliament. Performance audits are done through a structured exercise by defining scope of audit, holding entry conference, sampling of units, exit conference, inclusion of feedback on draft report and issuance of final report.

1.4 Defence budget

The budgetary allocations for Defence Services are contained under six Demands for Grants of MoD *i.e.* Demand No. 22 to 27 and approval of the Parliament is taken for Gross expenditure provision under these Demands for Grants**.** Out of these Demands, five Demands (Demand No. 22 to 26) cater to the requirement of Revenue expenditure which includes pay and allowances, stores, transportation and revenue works, *etc.*, while the sixth Demand (Demand No. 27) *viz.* Capital Outlay on Defence Services, caters to requirement of the expenditure incurred on acquisition of new aircraft and aero-engines, weapons and ammunition, modernisation of services, replacement of obsolete stores, construction work, and acquiring durable assets for all Services.

Revenue expenditure of Air Force was met from 'Grant No. 24 Defence Services-Air Force' and Capital expenditure from 'Grant no 27, Capital Outlay on Defence Services, Sub-major Head 03-Air Force'.

The share of IAF in Defence expenditure for the last five years were as under -

Table 1.1 -Details of Defence expenditure and portion of IAF in actual expenditure

(₹ in crore)

Year	Budget Provision	Actual Defence Expenditure	Actual expenditure on IAF	Portion of IAF in total Defence Expenditure (in percentage)
2010-11	1,56,127	1,58,723	38,782	24
2011-12	1,78,891	1,75,898	46,134	26
2012-13	1,98,526	1,87,469	51,118	27
2013-14	2,17,649	2,09,789	58,745	28
2014-15	2,54,000	2,37,394	55,481	23

Source: Year-wise Appropriation Accounts of Defence Services

The IAF expenditure which was ₹58,745 crore during 2013-14 decreased to ₹55,481 crore in 2014-15. Thus, while the total defence expenditure increased by 13 *per cent,* the share of IAF in total defence expenditure decreased by 5 *per cent* from previous year 2013-14.

1.5 Budget and expenditure of Indian Air Force

The summarised position of Appropriation and Expenditure during 2010-11 to 2014-15 in respect of the Air Force is reflected in the table below:

Table 1.2: Appropriation and Expenditure of IAF

(₹ in crore)

Description		Year				
		2010-11	**2011-12**	**2012-13**	**2013-14**	**2014-15**
Final Grant	Capital	23,565	28,305	32,735	38,679	26,536
	Revenue	15,805	16,757	18,329	19,983	23,186
	Total	**39,370**	**45,062**	**51,064**	**58,662**	**49,722**
Actual Expenditure of IAF	Capital *(per cent)*	23,603 (60.86)	28,812 (62.45)	32,980 (64.52)	38,585 (65.68)	32,796 (59.11)
	Revenue *(per cent)*	15,179 (39.14)	17,322 (37.55)	18,138 (35.48)	20,160 (34.32)	22,685 (40.89)
	Total	**38,782**	**46,134**	**51,118**	**58,745**	**55,481**
Excess (+) / Savings (-)	Capital	(+) 38	(+) 507	(+) 245	(-) 94	(+) 6260
	Revenue	(-) 626	(+) 565	(-) 191	(+) 177	(-) 501
	Total	**(-) 588**	**(+) 1072**	**(+) 54**	**(+) 83**	**(+) 5759**

Source: Year-wise Appropriation Accounts of Defence Services

An analysis of Appropriation Accounts-Defence Services for each of the five years had been included in the Reports of the Comptroller and Auditor General of India, Union Government - Accounts of the Union Government (Financial Audit) for the relevant years.

1.5.1 Capital expenditure

As depicted in Table 1.2, IAF has been spending 60 to 65 *per cent* of its total expenditure on Capital. The Capital expenditure of IAF was mainly incurred on acquisition of new aircraft and modernisation or up-gradation of the existing fleet. The distribution of expenditure over the different categories of Capital expenditure for the last five years (2010-11 to 2014-15) for IAF is depicted in the table below:

Table 1.3: Details of components of Capital expenditure of IAF

(₹ in crore)

Head	2010-11	2011-12	2012-13	2013-14	2014-15
Aircraft/Aero engine	16,094	20,274	23,573	29,069	22,558
(per cent)	(68.11)	(70.37)	(71.48)	(75.40)	(68.78)
Heavy & medium vehicles	26	73	81	59	33
Other equipment	6,039	6,788	7,399	7,761	8,219
(per cent)	(25.58)	(23.56)	(22.43)	(20.11)	(25.06)
Special Projects	230	521	587	348	343
Construction work	1,158	1,153	1,318	1,304	1,637
(per cent)	(4.91)	(4.00)	(3.99)	(3.38)	(4.99)
Land	56	3	22	44	6
Total	**23,603**	**28,812**	**32,980**	**38,585**	**32,796**

Source : Year-wise Appropriation Accounts of Defence Services

Capital expenditure on acquisitions in respect of aircraft / aero engine was significant and ranged between 68.11 and 75.40 *per cent* of the total Capital expenditure; that for 'Other equipment' ranged between 20.11 and 25.58 *per cent* and on construction work 3.38 to 4.99 *per cent* of total Capital expenditure of IAF. A minor portion was being spent on vehicles, special projects and land.

A further analysis of Capital expenditure *vis-à-vis* source of procurement for last three years is given below:

Table 1.4: Analysis of Capital expenditure of IAF

(₹ in crore)

FY	Indigenous			Import *(per cent)*	Works	Total
	PSUs *(per cent)*	Trade *(per cent)*	Total Indigenous *(per cent)*			
2012-13	9033 (27.39)	2799 (8.49)	11832 (35.88)	19221 (58.28)	1927 (5.84)	**32,980**
2013-14	15370 (39.83)	591 (1.53)	15961 (41.36)	20928 (54.24)	1696 (4.4)	**38,585**
2014-15	15114 (46.08)	1040 (3.17)	16154 (49.25)	14656 (44.69)	1988 (6.06)	**32,796**

Source: Information furnished by Directorate of Financial Planning, Air HQ

Total indigenous capital expenditure showed an increasing trend, which was mainly attributable to capital expenditure booked in respect of PSUs which had increased by 67 *per cent* during 2012-13 to 2014-15.

1.5.2 Revenue expenditure

The Revenue expenditure of IAF was mainly on pay and allowances, stores and special projects. The distribution of expenditure over different categories of Revenue expenditure for last five years is depicted in table below:

Table 1.5: Details of components of Revenue expenditure of IAF

(₹ in crore)

Head	Year				
	2010-11	2011-12	2012-13	2013-14	2014-15
Pay and allowances (Minor Head-101,102 and 104)	6,856 (45%)	7,532 (44%)	8,378 (46%)	9,464 (47%)	10,533 (46%)
Stores and special projects (Minor Head - 110, 200)	5,775 (38%)	6,931 (40%)	7,038 (39%)	7,779 (39%)	8813 (39%)
Works (Minor Head -111)	1,692 (11%)	1,800 (10%)	1,775 (10%)	1,912 (9%)	2,124 (9%)
Transport (Minor Head -105)	620 (4%)	763 (4%)	611 (3%)	661 (3%)	761 (3%)
Others (Minor Head - 800)	236 (2%)	296 (2%)	336 (2%)	344 (2%)	455 (2%)
Total	**15,179**	**17,322**	**18,138**	**20,160**	**22,685**

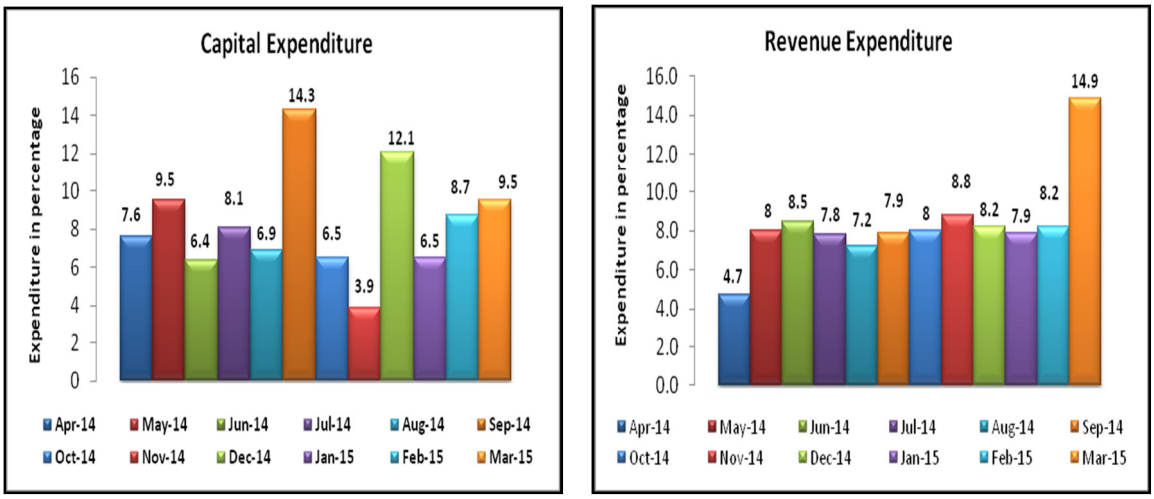
Source: Year-wise Appropriation Accounts of Defence Services

Revenue expenditure of IAF increased from ₹15,179 crore in 2010-11 to ₹22,685 crore in 2014-15 *i.e.* by 49 *per cent* during last five years. Pay and Allowances accounted for about 44 to 47 *per cent*, Stores and special projects for 38 to 40 *per cent*, Works for nine to 11 *per cent*, Transport for three to four *per cent* and remaining two *per cent* for 'Others' category of total revenue expenditure of IAF.

1.5.3 Flow of Expenditure of IAF during the year

Flow of capital and Revenue expenditure during 2014-15 is depicted below:

Figure 1.1: Flow of expenditure of IAF during 2014-15



Source: Information furnished by MoD Finance (Budget)

The Revenue expenditure of IAF was 14.9 *per cent* and 31 *per cent* of total annual revenue expenditure, for March 2015 and the last quarter of the year respectively, whereas for Capital expenditure it was 9.5 *per cent* and 24.7 *per cent* for March 2015 and last quarter respectively. These year end expenditures were within permissible limits of 15 *per cent* and 33 *per cent*, as prescribed by the Ministry of Finance.

1.5.4 Revenue Receipts of Indian Air Force

The receipts represent recoveries on account of stores issued on payment, rent of buildings and furniture, sale proceeds of lands, buildings, *etc*., declared

surplus, credit for services rendered to other government departments and other miscellaneous receipt**.**

The details of receipts pertaining to the Indian Air Force during the five years are given in the table below:

Table 1.6: Revenue Receipts of IAF

(₹ in crore)

Description	Year				
	2010-11	**2011-12**	**2012-13**	**2013-14**	**2014-15**
Receipts from works	58	64	75	80	88
Receipts from services and supplies	106	108	90	104	149
Stores	127	37	67	45	19
Other receipts	337	340	377	838	473
Total Receipts and Recoveries	**628**	**549**	**609**	**1067**	**729**

Source: Information furnished by MoD Finance (Budget)

A significant portion (53.6 to 78.5 *per cent*) of revenue receipts of IAF were classified under 'Other receipts'.

1.6 Response to Audit

1.6.1 Response of MoD to Draft Audit Paragraphs

On the recommendations of the Public Accounts Committee (PAC), the Ministry of Finance (Department of Expenditure) had 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 through demi-official letters drawing attention to audit findings and requesting for timely response.

Despite the instructions of the Ministry of Finance, MoD's replies to four paragraphs out of 12 paragraphs included in this Report were not received. Thus, the response of the Ministry could not be included in respect of these paragraphs.

1.6.2 Action Taken Notes (ATNs) 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, PAC desired that Action Taken Notes on all paragraphs pertaining to the Audit Reports for the year ended 31st March 1996 onwards be submitted to them, duly vetted by Audit, within four months from the laying of the Report in Parliament. The status of ATNs is as under:

Table 1.7: Status of ATN

(As on 31st March 2016)

Status of ATNs	IAF
Audit Paragraphs/Report on which ATNs have not been submitted by the Ministry even for the first time	12
Audit Paragraphs/Report on which revised ATNs were awaited	21

1.7 Recoveries at the instance of audit

An amount of ₹11.20 crore was recovered after having been pointed out by Audit. The three cases are discussed as under:

A. Recovery of unadjusted advance and interest from HAL (₹771.41 lakh): An order for the depot level maintenance of unmanned aerial vehicle (UAV) systems was placed by Indian Air Force (IAF) on Hindustan Aeronautics Limited (HAL) in December 2002. The work involved three different divisions of HAL at Hyderabad, Kanpur and Korwa.

Although the advance amount was to be paid to three different divisions of HAL as per payment terms and conditions, Controller of Defence Accounts (CDA), RK Puram, New Delhi paid (January 2003) entire first stage advance of ₹912.13 lakhs to HAL, Hyderabad Division. An amendment to the order was issued (January 2008) after a gap of six years changing the payment authority for subsequent payments. This amendment stipulated that further payments will be made by Accounts Officer, Defence Accounts Department [AO (DAD)] attached to respective HAL Divisions.

During audit of AO (DAD) HAL Hyderabad, it was observed (September 2009) that the advance paid had been adjusted to the extent of ₹623.26 lakh in respect of two divisions *i.e.* HAL Hyderabad (₹356.36 lakh) and HAL Kanpur (₹266.90 lakh) only. Audit also pointed out the pending recovery (₹288.87 lakhs) in respect of HAL Korwa as the work was neither short closed nor carried over to the next year.

Audit also pursued (February 2014) with CDA, RK Puram, New Delhi / Principal Controller of Defence Accounts (PCDA), Bengaluru / Air HQ for recovery of interest on unadjusted advance of ₹288.87 lakhs since January 2003 without any tangible benefit to IAF.

In response, PCDA, Bengaluru replied (April 2014) that the AO (DAD) concerned was not aware of the outstanding payment, although the balance amount of ₹288.87 lakh was recovered (February 2010) from HAL.

In May 2015 PCDA, Bengaluru, intimated Audit about recovery of ₹482.52 lakh through respective AO (DAD) as interest on unadjusted advance.

Thus, recovery of ₹288.8 lakh of advance and ₹482.52 lakh as interest on unadjusted advance was made at the instance of Audit.

B. Recovery of Liquidated Damages (LD) for delayed supply of Mirage 2000 spares (₹9.09 lakh): Air HQ placed (December 2007) a supply order on M/s Thales System Aeroportes, France towards supply of four lines of spares for Mirage 2000 aircraft at a total cost of Euro 2380478 (₹14.10 crore) and these spares were to be supplied with a lead time of six to eighteen months from the date of advance payment.

As per the condition of supply order, 15 *per cent* advance amounting to Euro 357071.70 was released (March 2008) by Air HQ thereby requiring the delivery of four lines of spares between September 2008 and September 2009.

However, after the delivery of three lines of spares, vendor requested Air HQ for further extension of Letter of Credit (LC) till 20 February 2010 for supply of remaining one line of spare (PU1-Cofferet Traitement). Ministry of Defence (MoD) approved (February 2010) extension of LC with conditions that LC extension charges to be borne by the supplier and LD as per terms of supply order.

Audit observed (April 2011) that vendor had supplied (December 2009) balance one line of spare and claimed the final amount of Euro 913296.95 and which was released (March 2010) by the Bank without deducting LD amount of Euro 10745 for delay in delivery.

In response to audit observation, Air HQ stated (August 2011) that there was anomaly in recovery of LD and case had been taken up with PCDA and Bank authorities for its recovery and Audit would be informed accordingly.

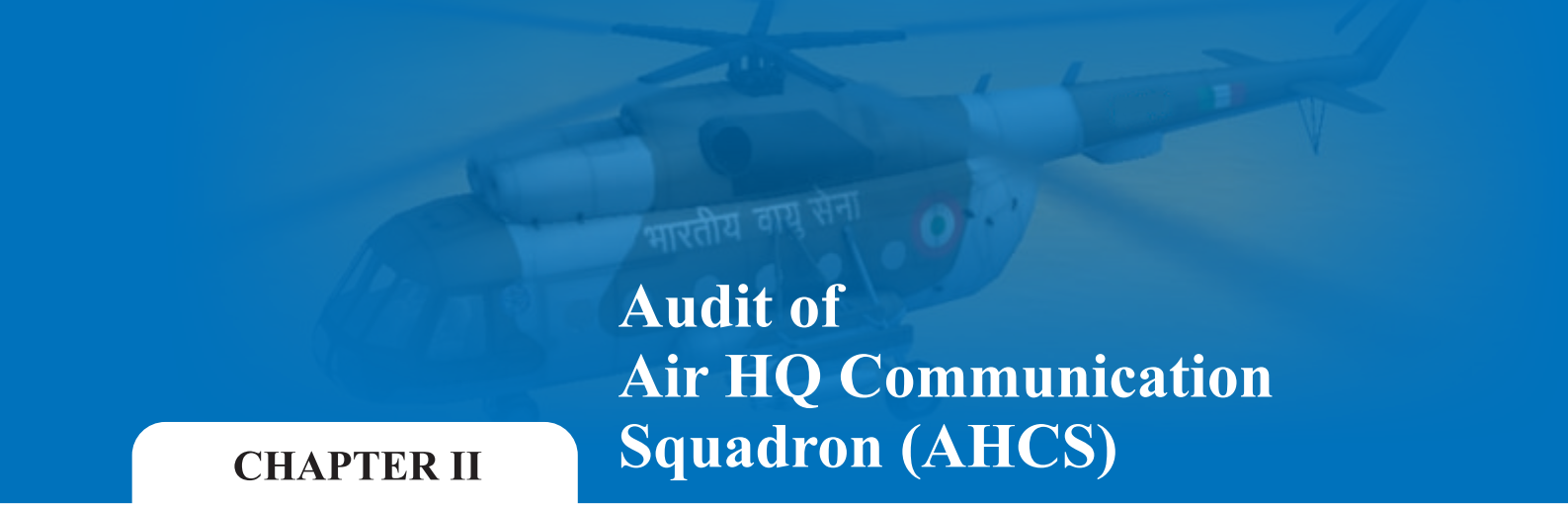
Air HQ further informed (September 2015) Audit that foreign firm had remitted an amount of Euro 10740 (₹9.09 lakh) on account of LD.

C. Recovery of rent and allied charges from Air Force (AF) Schools (₹339.15 lakh): Government of India, Ministry of Defence, in February 1993 regularised Unit Run Schools opened on defence land from 1955 to 1993. These schools were exempted from payment of rent and allied charges from the date of opening till regularisation. In December 1998, Air HQ instructed all Commands that the Ministry had agreed for one-time waiver of rent and allied charges till 1993. It further stated that the Ministry had decided that Air Force Schools should also pay the charges for the defence buildings as it was being done by Unit run schools of Army and Navy.

Scrutiny of unit revenue records at Air Force Station, Pune (March 2013) and HQTC unit (August 2012) revealed that Air Force School, Pune and Air Force School, Hebbal were neither paying any rent and allied charges nor deposited outstanding rent and allied charges from January 1994 onwards despite instructions to do so.

A Board of Officers (BOO) assessed and recommended in December 2014 to remit rent and allied charges and ₹28.71 lakh was remitted (February and September 2015) by AF School, Pune. Regarding Air Force School, Hebbal a BOO assessed and recommended in August 2015 to recover rent for the defence buildings occupied by Air Force School, Hebbal and water and electricity charges covering the period 1994 to March 2015. An amount of ₹306.45 lakh was remitted by Air Force School, Hebbal in October 2015 to the Government account. In addition, the school will continue to pay ₹13.47 lakh annually as rent in addition to water and electricity charges at actuals.

The Ministry in their reply (March and April 2016) accepted the facts.



CHAPTER II

Audit of Air HQ Communication Squadron (AHCS)

2.1 Introduction

Indian Air Force (IAF) maintains a fleet of aircraft with Air HQ Communication Squadron (AHCS) at New Delhi to provide air conveyance to VVIPs[1] and other entitled persons (OEPs)[2].

AHCS has three Boeing Business Jet (BBJ) aircraft, four Embraer aircraft and six Mi-8 helicopters. In addition, the VVIPs also use Air India's Boeing 747-400 aircraft for their international visits and while IAF pays for the international visits of the President, that for the Vice President and the Prime Minister are paid for by Ministry of External Affairs and Prime Minister Office (PMO) respectively.

2.2 Organisational set up

AHCS headed by Commanding Officer of Group Captain rank is responsible for operation and maintenance of VIP fleet. It works under functional and administrative control of Directorate of Ops (VIP) at Air HQs, through 3 Wing AF at Palam, New Delhi.

2.3 Previous Audit Reports on VIP Fleet

A review on 'Air Transport Facilities for VVIPs and OEPs' was carried out by Audit in 1997 and findings reported in C&AG's Audit Report No.8 of 1998.

Issues raised in subsequent Audit Reports, recommendations made there under, actions taken by the MoD and identified areas for current audit are detailed in **Annex-A.** New areas found during the current audit have also been included in this report.

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1 VVIPs for which the Communications Squadron provides airlift services are the President, the Vice-President and the Prime Minister.

2 OEPs as per relevant order were Minister of Defence, Minister of Home Affairs, Minister of State in the Ministry of Defence, Chiefs of the three Defence Services, Defence Secretary, other Ministers of GoI, Senior Service and Civilian Officers who are connected with Defence Organisation and Cabinet Secretary.

2.4 Audit Objectives

The audit was conducted to ascertain adequacy of action taken by MoD/Air HQ to remedy issues raised in earlier Audit Reports. Accordingly, this review was conducted to ascertain whether:

- VIP fleet was utilized optimally including optimizing flying hours, use of commercial flights by OEPs and minimizing empty flying.
- Internal control systems to protect financial and operational interests of Air Force including recovery of airlift and detention charges were adequate and effective.

2.5 Audit Scope and Methodology

A test checks of the records relating to VIP flights was carried during July to September 2015 at AHCS, Directorate of Ops (VIP) and Directorate of Accounts at Air HQ and CDA (AF) covering three years' period from 2012-13 to 2014-15.

Based on examination of the records, analysis of data and replies furnished to audit questionnaire by the above mentioned units, initial audit observations were issued to concerned unit / Directorate and their replies were considered and included in the Draft Report, which was issued to the Ministry.

Response to Draft Report was received in March 2016, which has been incorporated in this Report.

2.6 Audit Criteria

The audit criteria used for benchmarking the audit findings were from:

- Presidential orders issued vide Ministry of Defence OM dated 6 January 1981.
- Policy Page (1984) of AHCS issued by MoD and Policy Page proposed (2007) by AHCS.
- Ministry /Air HQ instructions on providing of airlift to entitled persons.

- Recommendations contained in Paragraph 2 of C&AG's Audit Report No.8 of 1998 and Action Taken Note (ATN) (2011) by MoD thereon.

2.7 Audit findings

2.7.1 Induction and utilisation of aircraft

2.7.1.1 Revision of Policy Page

AHCS proposed in 2007 for revision of the Policy Page (April 1984) in view of induction of BBJ and Embraer aircraft but approval of MoD was pending (March 2016).

The Ministry stated (March 2016) that this will be processed expeditiously.

2.7.1.2 Utilisation of aircraft

Under-utilisation of VIP fleet was reported earlier in Audit report of 1998; however, Audit observed that the fleet continued to be underutilised and the extent of underutilisation had increased.

a) BBJ aircraft:

Utilisation for BBJ aircraft was 60 flying hours per aircraft per month proposed (2007) in the Policy Page. Flying hours are calculated based on the aircraft total technical life in terms of flying hours and period in years. Actual flying against the prescribed flying, during 2012-13 to 2014-15, is given below:

Table 2.1: Utilisation of BBJ aircraft

Year	Prescribed flying hours	Utilisation for			Total Utilisation	
		Airlift of VVIP	Training of Pilots	Misc. purpose		
	(Hours)	(Hours)	(Hours)	(Hours)	(Hours)	(*per cent*)
2012-13	2160	271:20	591:10	38:15	900:45	**41.7**
2013-14	2160	332:35	735:35	13:30	1081:40	**50**
2014-15	2160	450:25	834:00	38:30	1322:55	**61.2**
Total	**6480**	**1054:20**	**2160:45**	**90:15**	**3305:20**	**51**
***Per cent* of actual flying**		**31.9**	**65.4**	**2.7**		**100**

Source: Quarterly Flying Training Returns (QFTRs)

Thus, during 2012-13 to 2014-15, the actual flying was only 3305:20 hours (51 *per cent*) against total 6480 hours prescribed for three BBJ aircraft. Further, the flying for VVIPs, the *raison d'être* for existence of the Squadron, was only 31.9 *per cent* of total flying hours. For two-third of flying hours, the fleet was being used for training purpose.

In Audit Report of 1998, the figures for utilisation during 1992-93 to 1996-97 were 54.4 *per cent* for VVIP/OEP and remaining 45 *per cent* for Training. The lower utilisation of BBJ aircraft substantiated the Audit comment in Paragraph 2.1 of C&AG's Audit Report No.5 (Compliance Audit) of 2008 (AF & Navy) that the purpose of acquisition of third BBJ aircraft was questionable.

Thus, not only the fleet was underutilised, but the extent of underutilisation was increasing.

AHCS stated (August 2015) that the Squadron fly three BBJ aircraft to convey VVIPs for domestic tours as well as few international travels as tasked by Air HQ.

The Ministry accepted (March 2016) the audit observation.

b) Embraer aircraft

Monthly flying hours for four Embraer aircraft (called executive jets) were 62:50 hours per aircraft per month as proposed in Policy Page (2007). Actual flying against the prescribed hours, during 2012-13 to 2014-15, is as given below:

Table 2.2: Utilisation of Embraer aircraft

Year	Prescribed flying hours	Utilisation for			Total Utilisation		Utilisation for VVIPs	
		Airlift of VVIP/ OEPs	Training of Pilots	Misc. purpose				
	(Hours)	(Hours)	(Hours)	(Hours)	(Hours)	(*per ent*)	(Hours)	(per cent)
2012-13	3000	1356:20	967:15	53:00	2376:35	79.23	19:30	0.81
2013-14	3000	983:10	885:15	68:00	1936:25	64.53	4:30	0.22
2014-15	3000	797:35	795:20	96:45	1689:40	56.33	4:15	0.25
Total	**9000**	**3137:05**	**2647:50**	**217:45**	**6002:40**	**67**	**28:15**	**0.47**
***Per cent* of actual flying**		**52.27**	**44.11**	**3.62**		**100**		

Source: QFTRs

The actual flying was 6002:40 hours (67 *per cent*) against 9000 hours prescribed for four Embraer aircraft. The use for VVIP/OEP was for 3137 hours (52.27 *per cent*), which was lower than 60 *per cent* utilisation of the Avro aircraft for VVIP/OEP noticed by Audit in 1998. Further, Embraer aircraft was utilised only for 28:15 hours (0.47 *per cent* of total flying) for VVIPs during 2012-13 to 2014-15. This substantiates the audit comment in paragraph 2.1 of C&AG's Audit Report no. 5 of 2006 (AF and Navy) on propriety in acquisition of Embraer fleet.

2.7.1.3 Significant short fall in flying efforts in training as per policy for Embraer aircraft and Mi-8 helicopter

Fleet-wise flying training to be imparted to pilots as per Air Force Order (AFO) No. 15/2011 and actual training in AHCS during the year 2012-13 to 2014-15, is given below:

Table 2.3: Fleet-wise flying training to pilots

Year	Average number of pilots	Flying Training as per AFO (hours)	Actual Training (hours)	Excess (+) /Short fall (-) (hours)	Excess (+) /Short fall (-) (*per cent*)
BBJ aircraft					
2012-13	9.75	780	591:10	(-) 188:50	(-) 24.23
2013-14	9	720	735:35	(+)15:35	(+) 2.13
2014-15	9	720	834	(+)114:00	(+) 15.83
Total		**2220**	**2160:45**	**(-) 59:15**	**(-) 2.70**
Embraer aircraft					
2012-13	10.25	1100	967:15	(-)132:45	(-) 12.08
2013-14	15.5	1240	885:15	(-) 354:45	(-) 28.61
2014-15	14	1120	795:10	(-) 324:50	(-) 29.00
Total		**3460**	**2647:40**	**(-) 812:20**	**(-) 23.50**
Mi-8 helicopter					
2012-13	10.5	840	330:45	(-) 509:15	(-) 60.66
2013-14	9.75	780	306:10	(-) 473:50	(-) 60.75
2014-15	11.25	900	246:50	(-) 653:10	(-) 72.61
Total		**2520**	**883:45**	(-) **1636:15**	**(-) 65.00**

Source: QFTRs

Thus, though training constituted 65.4 *per cent* of the total flying for BBJ and 44.11 *per cent* for Embraer aircraft as discussed in *Paragraph 2.7.1.2*, there were shortfalls in flying efforts for prescribed training to the extent of 23.50 *per cent* and 65 *per cent vis-à-vis* Embraer aircraft and Mi-8 helicopter respectively.

The Ministry stated (March 2016) that although AFO has been correctly quoted but its application was incorrect. It further stated that the BBJ and Embraer are manned by two pilots and when the aircraft flies two hours both pilots fly one hour each.

The Ministry's reply regarding counting of only half time for each pilot in the said AFO is debatable as both pilot and co-pilot would be equally attentive during entire duration of flight. Nevertheless, the Ministry decided (April 2016) to constitute a committee to review the training requirement of VIP fleet.

2.7.1.4 Utilization of Embraer aircraft on routes connected by commercial air services

As per Presidential orders (1981) except the three VVIPs, other users are expected to make use of the commercial air services on official duty, where ever possible. Audit examination revealed that:

a) There were 619 VIP flights by OEPs using Embraer aircraft during 2012-13 to 2014-15. On 321 occasions (51.86 *per cent*), OEPs used the aircraft between destinations connected by commercial air services. Further, there was no document at AHCS/Air HQ to indicate that the OEPs utilized the VIP fleet only in inescapable cases of non-availability of commercial air services or emergencies. Though Special Flight Returns (SFRs) were supposed to indicate the purpose of VIP flight, only 'official duty' was mentioned. The issue was also raised in C&AG's Audit Report No. 8 of 1998. In Action Taken Note, MoD had stated (2011) that the trips were made for urgent official requirements keeping in view time constraint and official assignment/visit.

Audit enquired (November/December 2015) from Air HQ/MoD as to how it was ensured by them that OEPs used the VIP flights only sparingly for urgent official requirements.

The Ministry stated (March 2016) that justification for use of VIP fleets was given to the approving authority.

Audit is not in agreement with the Ministry's clarification as it was not supported by evidence. Further, Audit did not find records regarding use of VIP fleet by OEPs only in inescapable cases on routes connected by commercial air services.

b) A review of SFRs revealed that Embraer aircraft was used by Raksha Mantri, Rajya Raksha Mantri and three service chiefs on 308 occasions during 2012-13 to 2014-15. On 191 occasions (62.01 *per cent)*, the routes covered were well connected by commercial air services.

Thus, the usage of VIP aircraft by OEPs continued to remain an area of concern. The designed internal controls for effective utilization were not functioning properly. However, the Ministry decided (April 2016) to constitute a committee to review the utilization of Embraer aircraft on routes connected by commercial air services/use of commercial flight by OEPs.

2.7.2 Internal Controls

2.7.2.1 Recovery of detention charges

As per Presidential orders (January 1981), the detention charges @ 50 *per cent* of the rate prescribed by MoD for flying hours shall be charged for detention of aircraft in excess of two hours[3] *i.e.* if an aircraft is detained at an outstation.

Audit observed that Directorate of Accounts, Air HQ stopped including detention charges in the bills raised for recovery for airlift to various Ministries/Departments from June 2012. These non-raised detention charges were ₹32.25 crore for 30 cases during June 2012 to March 2015.

In reply, Air HQ stated (November 2015) that airlift bills were raised on the basis of details provided in SFR, Flight Acceptance Certificate (FACs) and Indent forwarded by the operating units. The Directorate further stated that there was single indent for two different dates and the FACs were also issued

[3] Detention period is calculated from the time of landing to the time of take-off of aircraft.

for airlifts availed on different dates. There was no indication of detention of aircraft by the user agency. Hence no detention charges were levied.

The reply is not convincing since IAF aircraft were detained at destination for more than two hours during the airlift period and the same was indicated in the SFR, for which detention charges should have been recovered from the indenting agency.

Accepting the observation, the Ministry stated (March 2016) that suitable instructions have been issued and in future detention charges will be levied accordingly.

2.7.2.2 Competent Authority for authorizing VIP Flights of Senior Service Officers

As mentioned in *Paragraph 2.1* of this report, Other Entitled Persons (OEPs) include three Service Chiefs and Senior Service Officers (SSO) at Service HQs and Civilian Officers of the rank of Joint Secretary and above. 325 VIP flights (to and fro) were used by these OEPs during 2012-13 to 2014-15 as per details given below:

Table 2.4: Number of airlifts for Service Chiefs and Senior Service Officers

Service Chiefs	
Chief of Army Staff (COAS)	115
Chief of Air Staff (CAS)	65
Chief of Naval Staff(CNS)	53
Sub-Total	**233**
Senior Service Officers	
Air Force	88
Navy	3
Army	1
Sub-Total	**92**
Total	**325**

Source: Data compiled from SFRs maintained by AHCS

Out of 325 flights by OEPs, in 92 cases relating to SSOs, no authorization was found to be issued by the MoD. Normative expenditure on these 92 flights worked out to ₹24.23 crore.

In reply the Ministry stated (March 2016) that the Chief of Air Staff is competent authority for SSOs and use of VIP assists by SSOs is approved by VCAS and para 1, 4 and 6 of Air Force Instruction 9/83 gives the authority for the same.

Audit is in disagreement with respect to the quoted authority for airlift of SSOs as AFI 9/83 specifically prohibits its application for use of VIPs fleet and states that conveyance of VIPs is governed by the Presidential order of 1981 as amended from time to time. Nevertheless, the Ministry decided (April 2016) to constitute a committee to review the competent authority for authorizing VIP flights of SSOs.

2.7.2.3 Indemnity Bond and Duty Flight Certificate

As per Presidential orders (1981), all non-service personnel (other than government officials) travelling in the service aircraft will sign Indemnity Bond and the aircraft would not take off till receipt of the bond.

Audit however noticed that the bonds were not being received by AHCS along with the passenger manifest. Likewise, Duty Flight Certificate was also not being received along with the passenger manifest.

The above issues were also raised in C&AG's Audit Report of 1998 and, in ATN, MoD stated (2011) that the bonds/certificates were being received before passengers on board the aircraft.

The Ministry's reply (March 2016) was silent on the non-compliance following their assurance (2011).

2.8 Conclusion

Utilization of current VIP fleet was low and its low utilization observed in C&AG's Audit Report of 1998, was further reduced. Significant flying efforts went in training of pilots although for Embraer aircraft and Mi-8 helicopter the training was lower than that prescribed in Air Force Orders.

The controls designed to ensure that OEPs utilized the VIP fleet only in inescapable cases for routes connected by commercial air services were not working. Detention charges amounting to ₹32.25 crore were not raised/levied.

Procedure for authorization of VIP flights for senior service officers was not followed. Further despite assurance given by MoD in Action Taken Note, Indemnity Bonds and Duty Flight Certificates were not being obtained from users of airlift.

Action on Audit recommendations suggested in draft report relating to training requirement for VIP fleet, utilization of the fleet by the OEPs on commercially connected routes and the competent authority for authorizing VIP flights of SSOs has been initiated (April 2016) by the Ministry of Defence. The Ministry also issued instructions regarding levying of detention charges.

CHAPTER III

Audit Paragraphs relating to Contract Management

3.1 Acquisition and operation of C-17 Globemaster III aircraft

IAF procured (June 2011) ten C-17 Globemaster III aircraft and associated equipment at a total cost of USD 4,116 million (₹18645.85 crore) from Government of United State of America (USG) under Foreign Military Sales (FMS) route. There was delay in completion of specialist infrastructure and setting up of simulators required for training to pilots and loadmasters was also delayed. Operational capabilities of C-17 aircraft were under-utilized partially due to non-availability of runway with appropriate pavement classification number (PCN) and lack of ground equipment at various bases.

3.1.1 Introduction

In order to meet the growing strategic airlift on dual front and to have additional capacity during conflict, Indian Air Force (IAF) projected (April 2009) for a suitable aircraft under 'very heavy transport aircraft' (VHETAC) category.

Ministry of Defence (MoD) signed (June 2011) a Letter of Offer and Acceptance (LOA) with the Government of United States (USG) for procurement of ten C-17 Globemaster III aircraft and associated equipment at a total cost of USD 4,116,080,586 (₹18645.85 crore). These aircraft were inducted in IAF between June 2013 and December 2014.

MoD established (June 2012) 81 Squadron as operating unit at AF Station, Hindan for operation and maintenance of C-17 aircraft.

The aircraft produced by M/s Boeing of USA is a long range heavy transport aircraft with in-flight refueling capabilities and range of 4200 kms with maximum payload of 70 tonnes and 9000 kms with reduced payload of 40 tonnes.

The audit of procurement and utilization of the aircraft is discussed as under:

3.1.2 Delay in establishment of training Simulator

As training offered by simulators contributes largely to enhancing the quality of training and also provides cost benefit, IAF projected the requirement of training simulators for C-17 fleet. The requirement for simulators training for initial qualification, quarterly currency, instructional and role clearance and special operations was estimated to be 1700 hours per year for aircrew of the C-17 Squadron. IAF wanted one simulator installed, functional and operational at least three months before the delivery of the first aircraft on build, operate and maintain (BOM) basis by the original equipment manufacturer (OEM *i.e.* M/s Boeing).

In pursuance of the offset contract signed (June 2011), M/s Boeing was to set up the following simulator facilities-

Table 3.1: Details of offset for setting up simulator facilities for C-17 aircraft

Facility	Value of equipment offered as offset	Indian Offset Partner (IOP)
C-17 platform unique training facility (Maintenance training simulator)	USD 38.21 million (₹173.10 crore)	M/s Mahindra Defence Systems, Tata Consultancy Services
C-17 simulator center (Flying training simulator)	USD 96.87 million (₹438.82 crore)	M/s Mahindra Defence Systems, Tata Consultancy Services

Source: Offset Contract

Audit observed that though as per the offset contract (June 2011), the simulator services were to be made available within two years *i.e.* by July 2013, however M/s Boeing was yet to setup simulator services in India through its IOPs. Audit further noticed from the Quarterly Flying Training Returns (QFTRs) of the operating Squadron for the quarter ending September 2015 that the squadron has been routing pilots for simulator training with United States Air Force (USAF) as per the slots given by the US Government.

Thus, simulator services which were to be set up by July 2013 were yet to become functional (March 2016).

Air HQ stated in reply (April 2016) that as per offset contract signed in June 2011, M/s Boeing will get offset credit from fourth year onwards therefore simulator should have been operational by June 2015. Air HQ also stated that the simulator was being set up at Gurgaon and was likely to be operational by June 2016.

Reply of Air HQ may be seen in perspective that all the aircraft had arrived by December 2014 and the simulator services which were required by IAF by at least three months before arrival of the first aircraft in June 2013, were yet to become functional (April 2016).

3.1.3 Non-availability of ground equipment

IAF acquired C-17 aircraft for high load carrying capacity with less loading/ offloading time as well as to provide direct delivery of load/ troops to the operating sector with least number of trips.

In order to reduce ground time of a strategic asset whose main aim was rapid deployment, all units conveying load on regular basis on C-17 aircraft should have a required material handling equipment (MHE), trained fork lifter driver and trained manpower for palletization[1] of their load.

Audit examined the process of loading and unloading by 81 Squadron in operation of C-17 aircraft and observed that -

a) For the purpose of loading and unloading, a fork lifter weighing 13 tonnes was always being carried in the aircraft, as other units did not have ground handling equipment. This fork lifter occupies 35 *per cent* of the cargo space leaving limited space for payload. Due to this space restriction, C-17 aircraft had to undertake more than one sortie on the same day to airlift cargo from same destination, on many occasions. With cost of ₹43.19 Lakh per flying hour for C-17 aircraft, this was imprudent.

b) Units conveying load on regular basis through C-17 aircraft did not have plywood/ load spreader and wooden batons for preparation of loads on pallets at respective squadrons. Conveying this concern, 81 Squadron had requested (June

[1] Method of storing and transporting material for airlift, stacked on a pallet.

2015) Air HQ for provisioning and distribution of pallet to all wings so that carriage of material handling equipment with the aircraft could be minimised.

Thus, lack of ground equipment at various IAF bases adversely affected performance of C-17.

In reply (April 2016), Air HQ accepted the fact.

3.1.4 Delay in creation of specialist infrastructure

Specialist technical and operational infrastructure such as hangars, ramp, taxiway, storage, maintenance, parachute packing and rigging, hydrant fuel piping, various building, etc., was required for effective operation of C-17 aircraft. IAF had provided specialist infrastructure in the LOA at an estimated cost of USD 152.75 million (₹723.27 crore). As per LOA the infrastructure was to be created by M/s Boeing and was to be ready by June 2013 *i.e.* before arrival of the first aircraft at the base. Further, although schedule of quarterly payment to USG was defined in the LOA but there was no condition stipulated for imposition of penalty for delay in supplies/delivery of infrastructure services.

USG was to build infrastructure for the aircraft at Air Force Station, Hindan through M/s Boeing and Larsen & Toubro was the sub-vendor of Boeing. USG has nominated US Army Corps of Engineers for execution of the project and quality control.

Audit evaluated progress of completion of infrastructure necessary for C-17 fleet and observed that-

a) Against the target date of June 2013, infrastructure was not created so far (March 2016).

b) As per the minutes of Program Monitoring Committee (September 2015) the overall progress of completion of specialist infrastructure was 54 *per cent* and the probable date of completion of infrastructure was scheduled by December 2015.

Audit enquired (December 2015) from operating unit the status of infrastructure, their reply was awaited (March 2016).

Thus, there was delay in completion of specialist infrastructure.

In reply (April 2016), Air HQ accepted the fact.

3.1.5 Underutilization of pay load capability

Audit examined payload carried by the aircraft from the relevant records of operating Squadron *i.e.* 81 Squadron as tabulated below-

Table 3.2: Payload carried by C-17 aircraft

Year	Total number of Sorties	Total hours flown	Number of Sorties on Air Maintenance Task	Total hours flown for Air Maintenance Task	Total Air Maintenance Task/ load carried (in tons)	Air Maintenance Task per Sortie (in tons) (column 6/ column 4)
1	**2**	**3**	**4**	**5**	**6**	**7**
2013-14	666	897:30	72	65:45	929.484	12.910
2014-15	1617	2109:05	260	236:50	4503.470	17.321
2015-16 (Up to Dec 2015)	1992	2676:30	731	633:05	9888.080	13.527

Source: Data from Quarterly Flying Training Reports (QFTR) during June 2013 to December 2015

As seen from the above Table, annual average load airlifted by C-17 ranged between 13 tonnes and 18 tonnes per sortie, against the aircraft's payload capacity of 70 tonnes.

The operating squadron stated (September 2015) that C-17 aircraft could carry only 35 tonnes of load (40 tonnes in winters) and on a few occasions, C-17 was tasked for only 26 tonnes.

Thus a costly national asset, procured for carrying heavy loads was not being used as per its capacity.

In reply (April 2016), Air HQ accepted the fact of underutilization of aircraft and intimated that the point had been brought up to the notice of appropriate authorities.

3.1.6 Non exploitation of capabilities of C-17 due to inadequate runways

C-17 aircraft is capable of conveying payload of 70 tonnes with short field landing capability on 3500 feet runways including its capability to operate from high altitude

austere airfield. However, for its effective operations at higher loads, it requires runway pavement to be of certain minimum quality. The quality of pavement is indicated through its pavement classification number (PCN). For operation of C-17 aircraft, runway was upgraded with PCN value to 75 at AFS, Hindan.

In order to operate C-17 aircraft with full pay load, Head Quarter Western Air Command (HQ WAC) decided (December 2014) for PCN evaluation during 2015-16 in respect of five Air Force bases (Sirsa, Sarsawa, Jammu, Pathankot, Udhampur) where runway resurfacing was planned for 2016-17. HQ WAC also decided (December 2014) for PCN evaluation in respect of four other airfields (Hindan, Awantipur, Chandigarh and Thoise) which were upgraded/resurfaced during 2015.

Since runways did not possess the required PCN and were not strong enough to withstand full impact, the aircraft was operating with lesser payload being carried. Although, the Maximum All Up Weight (AUW) of C-17 aircraft was 265 tonnes however aircraft was operating with average AUW of 216 tonnes.

Thus, IAF had not assessed suitability of its runways before induction of C-17 fleet and as a result of runways with lower PCN, C-17 aircraft was operating with lesser payload.

Air HQ stated (April 2016) that the C-17 aircraft is capable of operating from runways with lesser PCN value in case situation demands such operation. Air HQ further added that the Audit statement holds good partially in respect of 14 airfields which were found unsuitable for operation of C-17 because of low PCN values and ground manoeuvring requirements.

Reply of Air HQ may be seen in perspective that the C-17 fleet had been operating with the reduced payload.

Thus, there were delays in completion of specialist infrastructure and simulators required for training to pilots and loadmasters. Further, there was under-utilisation of operational capabilities of C-17 aircraft due to non-availability of runway with appropriate PCN and lack of ground equipment at various bases.

3.2 Procurement of 14 additional Dornier aircraft

Indian Air Force (IAF) worked out the requirement of Dornier aircraft at below the envisaged utilization rate resulting in procurement of 14 additional aircraft costing ₹891 crore.

The Dornier aircraft are used by Indian Air Force (IAF) for providing initial flying training to trainee pilots (transport fleet) of IAF, Indian Navy and Coast Guard after completion of their basic training. Original manufacturer of the aircraft was Dornier GMBH, Germany and it was being manufactured by Hindustan Aeronautics Limited (HAL) under license agreement since 1987. Air Force Station, Yelahanka (AFS) was authorized in January 1990 to hold five Dornier aircraft for training of 22 trainees and the utilization rate (UR) of the aircraft was 65 hours (hrs) per month. Ministry of Defence (Ministry) in October 2014 revised the authorization of Dornier aircraft for the AFS from 5 to 22 Dornier aircraft for training 69 trainees and the UR of 65 hrs per month was revised to flying hours as authorized by Air HQ.

The Ministry concluded a contract (December 2007) with HAL at ₹552 crore for procurement of 12 Dornier aircraft (five for operational role and seven for training role) with delivery by March 2011. Ministry under repeat order concluded another contract in February 2015 with HAL at ₹1090 crore for 14 Dornier aircraft and one simulator for training purpose with the delivery scheduled by March 2019. As per the contract the aircraft are expected to be in service for next 20 years.

While working out the requirement for 14 Dornier aircraft it was envisaged (2012) by IAF that from the year 2014 onwards 65 trainees will be trained annually. Air HQ projected (May 2012) a total requirement of 11,800 hrs considering the total training period of 165 hrs per trainee per year and 10 *per cent* extra for incidental flying. IAF considered the utilization rate of 30 hrs per aircraft per month and average serviceability of the Dornier fleet at 75 *per cent* for calculating the total

requirement of 42 aircraft[2]. As 28 Dornier aircraft were already available for training purpose, IAF thus projected for procurement of 14 Dornier aircraft for imparting training.

Audit noticed (October 2015) that IAF had projected their requirement in excess as discussed below:

a) While procuring 12 Dornier aircraft in December 2007, IAF had taken monthly utilisation at 45 hrs per month which was well below the utilisation rate of 65 hrs per month authorised in the Government sanction (January 1990). However, under the present contract the monthly utilisation was taken at 30 hrs per month. Had IAF taken monthly utilisation rate at 45 hrs, it could have sufficed to impart training to 65 trainees with the existing fleet of 28 aircraft[3].

b) The contract (February 2015) also caters for a Full Motion Training Simulator (FMTS) at a cost of ₹75.07 crore to be delivered by HAL by September 2018. A FMTS artificially re-creates aircraft flight and the environment in which it flies and considerably reduces need of actual aircraft for training. However, this aspect was not taken into consideration, resulting in over-projection of requirement.

Thus, there was over projection of requirement of 14 aircraft worth ₹891 crore.

The Ministry in response stated (April 2016) that:

- The utilization rate for each year is nearly equal to the planned Rate of Efforts (ROE)[4] figure. ROE of 30 hrs was authorized by the Government for Dornier fleet. The ROE at time may be adjusted for short duration to meet

[2] 30 hrs X 12 months = 360 hrs. Total aircraft required 11800 hrs /360 hrs = 32 aircraft with serviceability at 75 *per cent*. For 100 *per cent* serviceability, the requirement of aircraft worked out to 42.

[3] 45 hrs X 12 months = 540 hrs. Total aircraft required 11800 hrs/540 hrs = 21.8 aircraft with serviceability at 75 *per cent*. For 100 *per cent* serviceability the requirement would be 29 aircraft.

[4] The Rate of Effort (ROE) is a function of the total number of aircraft and the total quantum of flying effort envisaged. This is a parameter used for planning of flying, maintenance, provisioning of spares and servicing activities.

the operational requirements of IAF when required number of aircraft was not available for various reasons.

- Due to lack of simulator and absence of previous experience the IAF will have to formulate training syllabus with induction of simulator and check the efficacy of the same for the initial set of trainee batches. Meanwhile training has to be carried out therefore the requirement of aircraft was worked out without considering the simulator.

The reply furnished by Ministry lacks rationale as training and operational task were merged for calculating the flying efforts whereas additional 14 Dornier aircraft were procured for imparting training and not for operational role. Further, procurement of these aircraft is contrary to the Ministry's revised approval (October 2014) which authorizes 22 Dornier aircraft and a simulator for 69 trainees as compared to 28 aircraft held by the AFS for the purpose. Also, there was a consistent reduction of the UR by Air HQ from 45 hrs to 30 hrs against the authorized UR of 65 hrs/month, thereby inflating the number of aircraft to be procured.

3.3 Refurbishment of 'X' system

IAF failed to timely conclude contract which led to extra expenditure of ₹19.31 crore due to rate revision by OEM. The Total Technical Life (TTL) of 104 'X' systems expired in April 2009, but even after lapse of over six years and incurring expenditure of ₹101.52 crore, efficacy of 'X' system was doubtful.

'X' system is an 'abc' weapon system which is deployed to destroy hostile air defence radars. 108 'X' systems were acquired (March 1995) from M/s 'A' (OEM) and inducted in IAF in 1999-2000 with a Total Technical Life (TTL) of 10 years.

As the TTL of these systems was expiring in March 2009, IAF in June 2007 carried out a joint survey with M/s 'A' for making an assessment regarding enhancement of TTL for further 10 years. Thereafter, IAF approached (October 2008) M/s Bharat

Dynamics Limited (BDL) after finalizing Schedule of Requirement (SOR) for undertaking the refurbishment task as per the Government Policy.[5]

A Request for Proposal (RFP) was issued to M/s BDL in May 2011. The proposal of M/s BDL was accepted by Technical Evaluation Committee (TEC) in November 2011. A contract for refurbishment of 104[6] 'X' systems was concluded by Ministry of Defence (Ministry) with M/s BDL in September 2012 at a total cost of ₹109.16 crore. As per the contract, the refurbishment activities including validation trials were to be completed by December 2014.

Audit scrutiny of contract relating to the enhancement of TTL for 104 'X' systems revealed the following:

(i) **Capital expenditure following revenue procedure**: Rule 90 of General Financial Rules stipulates that significant expenditure incurred with the object of enhancing the utility of existing assets shall broadly be defined as capital expenditure. Although the nature of work *i.e.* TTL extension of 'X' system for further 10 years was capital in nature, however, Air HQ adopted revenue procedure prescribed in the Defence Procurement Manual (DPM-2009) as per special dispensation authorized by the Ministry in 2007 in order to accelerate the process. IAF however, took 204 weeks in the process, commencing from issue of Schedule of Requirement (SOR) in October 2008 to signing of contract in September 2012, as against specified time of 20-23 weeks for entire activities involved in processing of the case, as per DPM-2009.

(ii) **Unauthorised change of oil**: 'X' system is propelled by engine which uses a specific type of lubrication oil. The contract (March 1995) stipulated usage of 'I' lubrication oil for engines of 'X' system. The life of 'I' oil filled in the 'X' system had expired in 2006 and the same was not available in stock with IAF. IAF started using equivalent oil ('J' oil) from January 2007 onwards without consultation with OEM.

[5] BDL is Nodal agency for life extension/refurbishment of 'S' held by three Defence Services as nominated by Ministry of Defence

[6] Two were utilized in training and two in live firing.

(iii) **Delay in conclusion of contract leading to extra expenditure:** After joint survey (June 2007) IAF along with M/s 'A' conducted (June 2009) live firing of 'X' systems in order to validate their efficacy. In this process two 'X' systems were utilized. During the live firing, Air HQ noticed degradation in their performance as these 'X' systems failed to climb the planned altitude. IAF in June 2009 asked M/s 'A' to investigate the reasons for engine power degradation. IAF approached (October 2008) M/s BDL after finalizing SOR for refurbishment of 104 'X' systems. However, the matter could not be finalised by IAF as the investigation report by OEM in respect of engine power degradation was awaited. The OEM concluded (October 2009) that the prime cause of degradation in performance of 'X' system was due to use of unfit oil.

Thereafter, IAF in January 2010 held meeting with M/s 'A' and M/s BDL to discuss the technical issues involved in the refurbishment activities of 'X' system. M/s BDL after consultation with M/s 'A' submitted its budgetary quote (April 2010) for refurbishment of 104 'X' systems at a cost of ₹89.85 crore which was valid up to December 2010. IAF, however, could not float RFP timely and took time in carrying out remedial measures for rectification of snags noticed during the live firing *i.e.* flushing of unfit oil, repair of engines and repair of 'Item-D'. IAF in May 2011 again approached M/s BDL for refurbishment of 104 'X' systems against which M/s BDL revised its quote to ₹109.16 crore due to revision of rates by OEM.

(iv) **Cost escalation from ₹37.15 crore (2008) to ₹109.16 crore in 2012**: Air HQ in June 2007 had invited proposal for refurbishment directly from OEM, which was submitted by M/s 'A' in July 2008 at a cost of USD 7905685 (₹ 37.15 crore). M/s BDL in April 2010 had submitted the proposal to IAF on the basis of negotiations with M/s 'A' for refurbishment of 104 'X' systems at a cost of ₹89.85 crore. However, Air HQ kept the offer open for 204 weeks which resulted in revision of rates by OEM. Ministry concluded the contract with M/s BDL at ₹109.16 crore in September 2012. Under this contract M/s BDL was to carry out refurbishment after getting technical

support, Item-E, Item-F and other items from OEM for which M/s BDL had concluded a contract with M/s 'A' in October 2012 at a cost of USD 14324153 (₹80 crore).

(v) **Changing conditions regarding validation tests:** DPM-2009 states [Para 4.12.6(e)] that no conditional offer should be accepted which is not in conformity with the specifications mentioned in the RFP. As per RFP validation trials were to be carried in six out of the initial 20 'X' systems refurbished by OEM and only on successful validation of the same, the refurbishment of remaining 84 'X' systems were to be taken up.

However, during the TEC stage Air HQ decided to conduct validation trials after 24 months of signing of the contract due to delay in receipt of supplies[7] required for refurbishment. Based on the recommendations of the TEC, the Ministry included validation trials clause after refurbishment activities for all 104 'X' systems.

Resultantly, as per the contract (September 2012) all the activities relating to refurbishment of 104 systems were to be completed first by September 2014, thereafter validation trials on six 'X' systems were to be conducted during November–December 2014, which besides violating relevant condition of DPM-2009 also created un-favourable situation for IAF including operational un-certainty of 'X' systems.

(vi) **Unsuccessful validation trials**: It was also noticed during audit that so far three 'X' systems have been tested by IAF for validation trials, out of which two did not follow the programmed profile. The 'X' systems were under detailed investigation by OEM in order to establish the cause of failure. The validation trials of the remaining three 'X' systems will be conducted after completion of investigation by OEM.

Thus, Audit observed that: a) even after deviating from the prescribed procedure by using revenue procedure, IAF could not adhere to prescribed time schedule of DPM-2009 and failed to derive the desired benefit of expediting the process;

[7] 'Item-F', 'Item-E' and 'Item-G' and 'Item-H'

b) used inappropriate oil without consulting OEM, enquiry into which led to delays in conclusion of contract; c) the delays subsequently resulted in expiry of quotes submitted by M/s BDL in April 2010, resulting into extra expenditure of ₹19.31 crore (₹109.16 crore – ₹89.85 crore); d) delays also led to cost escalation from ₹37.15 crore as initially offered by M/s 'A' in 2008 to ₹109.16 crore in the contract finally made in 2012; e) IAF changed the important control mechanism of validating six out of 20 initially refurbished 'X' systems, before proceeding for refurbishment of remaining 84 systems. Inclusion of validation trials clause after refurbishment activities resulted in release of payment of ₹101.52 crore to M/s BDL for various milestone activities in February 2015, which was 93 *per cent* of total payment. IAF has got 101 'X' systems in stock without their validated reliability. Till the completion of validation trials, the reliability of the 'X' system will remain doubtful.

Ministry in response stated (March 2016) that:

- Time lines as stipulated in the DPM-2009 could not be adhered to due to complexity of the case and involved organisational procedures.
- Indigenous substitution is a continuous process to facilitate self-reliance. 'J' oil was used instead of 'I', as supplier of oil company intimated that 'J' oil has been approved by ADE (DRDO)[8] after experimentation for use in different engine by same OEM. It was inferred that same substitute will work in 'X' system. However, 'J' oil was subsequently flushed out and refilled with 'I' in January 2010 as per the recommendations of OEM.
- The rates were enhanced due to increase in scope of work and not due to delay in conclusion of contract.
- The deviation from RFP specification was deliberated at various levels and being inescapable requirement the same was accepted and approved by CFA.

[8] Aeronautical Development Establishment (Defence Research and Development Organisation)

- After establishing the cause of failure by OEM, necessary measures will be incorporated and the validation trials are scheduled in March 2016.

The reply may be viewed in light of the fact that i) 'X' systems are high performance weapon system and IAF should have consulted OEM before changing the Oil; ii) there were no changes in SOR decided in October 2008 and September 2012; iii) changing of validating trials after refurbishment resulted in uncertainty about performance of the system despite payment of ₹101.52 crore (93 *per cent* of total payment) to M/s BDL.

CHAPTER IV

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[1] 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

[1] 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 1st 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)[2] 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

[2] 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 Sulur 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.

CHAPTER V

Audit Paragraphs on other issues

5.1 In-effective usage of Access Control System

Access Control Systems (ACSs) procured for 100 AF units at ₹13.65 crore had shortcomings. Further, in spite of procurement of add-on facilities to enhance its utility at additional ₹7.38 crore, the utilisation of the ACS was ineffective.

As Air Force units contain vital installations, areas and costly assets, access to such areas especially for visitors, vendors, contractors and their employees was being controlled manually through use of card / paper passes, which had possibility of misuse. Air Headquarters (Air HQ) proposed (August 2003) to introduce fool proof smart card based Access Control System (ACS) with modern state of the art technology.

Air HQ concluded (March 2008) a contract with M/s ECIL Rapiscan Ltd, Secunderabad for supply and installation of 100 ACSs for AF bases at a cost ₹13.65 crore with a warranty period of 12 months from the date of acceptance of stores or date of installation and commissioning whichever was later.

100 ACSs were supplied (April 2009) along with accessories by the vendor and installed at various Air Force bases. However, after installation of ACSs, user units[1] expressed (April 2009) various shortcomings in ACSs such as rejection of smart card, delay in writing of chip, mechanical fault, and high percentage of rejection of SIM, *etc.* Air HQ expressed (August 2009) its concern to the vendor over the problems encountered, poor maintenance support and suggested to resolve multifarious bottlenecks, on a fast track basis.

[1] 'S-1' SU(AF), 'W-1' Wing (AF), HQs 'AA', *etc.*

Air HQ subsequently wrote (March 2010) to all the Command HQs that ACS was conceived in 2003 and qualitative requirements (QRs) were finalized in 2004 which had shortcomings against present requirements. It further stated that utility of the system could be enhanced by integrating it with various other access control measures like turnstile, door opening system, additional smart card readers, *etc*., and suggested to initiate action for assessment and procurement of these devices to enhance its utility. Accordingly, only three[2] out of seven[3] Air Commands procured such devices for 54 units at an additional cost of ₹7.38 crore.

Audit observed that:

a) Air HQ took 55 months to conclude the contract (March 2008) after initiation of requirement (August 2003) *vis-a-vis* 4.5 months prescribed in Defence Procurement Manual-2006.

b) The procurement was not done with prudence in view of the fact that within a year of procurement Air HQ had written (March 2010) to all Air Commands that QRs finalized for ACS in 2004 had shortcomings against present requirements and the same had to be integrated with other utilities to enhance its performance.

c) Additional cost of ₹7.38 crore had been incurred on various other access control add-on facilities to enhance the utility of the ACS at 54 IAF units in pursuance of the advice (March 2010) of Air HQ.

Audit further noticed (October 2015) from Air HQ observation (April 2015) to all Air Commands that effective utilisation of the ACS was not being carried out at units. Further, no access control cards were being issued in respect of:

i) dependents at 41 Air Force units and,

ii) visitors / relatives at 85 Air Force units.

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2 Western Air Command (WAC), Eastern Air Command (EAC) and Central Air Command (CAC).

3 In addition to three Commands indicated in footnote 2, the remaining four Air Commands are South West Air Command (SWAC), Headquarters Training Command (HQTC), Headquarters Maintenance Command (HQMC) and Southern Air Command (SAC).

Considering importance of securing assets of IAF at their units, Audit examined (September 2015) records / documents to ascertain the actual usage of ACS at eleven sampled[4] Air Force Station (AFS) and it was noticed that though two of the AFS had installed turnstile /door operating systems, the manual papers passes to the visitors / vendors were being issued by all 11 units as given in **Annex-B.**

Air HQ in reply (March 2016) elaborated the events from initiation of the process in August 2003 till conclusion of the contract (March 2008) without clarifying the delays or the time taken in completion of the events/process. Regarding non-revision of QRs, Air HQ response (March 2016) that 're-initiation of case was required only if alteration was envisaged' was contrary to their own admission (March 2010) about shortcomings of the QRs against present requirements.

The Ministry stated (April 2016) that the procurement was done with full prudence and letter of Air HQ intended to convey that the usage of existing system could be enhanced by integrating certain equipment like turnstile, door opening system, *etc.,* which was not obligatory and certain Commands/ Stations procured these based on perceived security threats. The Ministry further stated that units did encounter certain unserviceability issues and there were delays in repair on a few occasions for which the vendor was penalised with recovery of ₹46.39 lakhs.

The Ministry's reply may be seen in view of Air HQ communication (March 2010) to all commands stating that system was conceived in 2003 and QRs finalised in 2004 had shortcomings and advised to initiate plans for procurement of turnstiles/gates and additional equipment. In the said communication there was no mention of exercising option based on security threat. The Ministry also stated that the AF Stations have now been directed to optimally utilise the system. Test check by Audit at 11 sampled units further corroborated ineffective usage of ACS.

[4] Randomly selected so as to cover 10 *per cent* of units/stations having ACS.

Thus, Air HQ's failure to revalidate the QRs of the year 2004 prior to conclusion of the Contract (March 2008) resulted in procurement of outdated ACS at a cost of ₹13.64 crore as admitted (March 2010) by Air HQ itself to all Command HQ. Further, in spite of procurement of add-on facilities like turnstile, door opening system, additional smart card readers, *etc*., to enhance its utility at additional ₹7.38 crore, the utilisation of the ACS was ineffective.

5.2 Irregular payment of Transport Allowance

Transport Allowance was paid even while AF officers / Airmen were absent from their places of regular duty for full calendar month, which was in contravention to orders of the Ministry of Defence and Air HQ.

Ministry of Defence (MoD) issued instructions (February 1998) regarding grant of Transport (TPT) allowance to service officer and personnel below officer rank (PBORs) stipulating non admissibility of the TPT allowance to an individual who is absent from place of regular duty (*i.e.* his/her HQrs) for full calendar month(s) due to leave, training, tour, *etc*. In pursuance of implementation of Sixth Pay Commission recommendations, MoD revised (December 2008) rates of TPT allowance.

Transport Allowance to an individual is ceased by units concerned through Personnel Occurrence Report (POR), sent to Air Force Central Accounts Office (AFCAO) which regulates pay and allowances of all IAF personnel, and the same is to be re-authorised as and when the individual resumes duty at its Headquarters (HQs). On receipt of POR, AFCAO credits the TPT allowance in Individual Running Ledger Account (IRLA) and reflects it in monthly Pay Slip.

Audit observed (June 2015 to November 2015) the irregular payment of TPT allowance in eight[5] test checked IAF units as given in **Annex-C**.

[5] AFCAO (Airmen/Civilians), Central Servicing Development Organisation (CSDO), 35 Wing, 41 Wing,17 Wing, 412 Air Force Station, 4 Base Repair Depot and 12 Wing.

Thus, there was non-compliance to MoD/Air HQ instructions in regard to TPT allowance. Audit issued (November 2015) a Statement of Case (SoC) on the irregular payments of TPT allowance noticed in test checked units and suggested review of similar cases, to Air HQ and AFCAO (Officer/Airmen).

AFCAO (Officers/Airmen) in November 2015 stated that recovery would be made where POR raised by units or details made available by Audit.

AFCAO's reply is not acceptable as they are the repository of all occurrences relating to IAF personnel including the annual leave and the IRLA which are maintained by AFCAO and are subject to audit by the Joint Controller of Defence Accounts (JCDA), Air Force.

Further, Audit had only done test check of records of selected units and there is need to review all such cases throughout IAF for corrective action and to avoid recurrences.

In view of above Audit recommends that, Air HQ issues instructions to all units for review of all Transport Allowance payments since February 1998 *i.e.* date of issue of relevant orders and to effect recoveries of irregular Transport Allowance in units where it was made.

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

5.3 Avoidable expenditure of ₹131.45 lakh due to payment of Electricity tax

Despite provisions for exemption of electricity tax available under Article 287 of Constitution of India, Air Force Station New Delhi paid ₹131.45 lakh on account of electricity tax to New Delhi Municipal Corporation during April 2009 to December 2014.

Article 287 of the Constitution of India stipulates that save in so far as Parliament may by law otherwise provide, no law of a state should impose or authorize the imposition of tax on the consumption or sale of electricity

(whether produced by a Government or other persons) which is consumed by the Government of India (GoI) or sold to the GoI for consumption by that Government. It further states that, 'any such law imposing, or authorising the imposition of, a tax on the sale of electricity shall secure that the price of electricity sold to the Government of India for consumption by that Government…… shall be less by the amount of tax than the price charged by other consumers of a substantial quantity of electricity.'

An audit scrutiny of electricity bills raised by New Delhi Municipal Corporation (NDMC) in respect of Air Force Station, New Delhi (AFS, New Delhi) revealed (July 2014) that the electricity bills included electricity tax at the rate of 5 *per cent* on electricity tariff and the same was being paid by AFS, New Delhi. A test check of records revealed that AFS, New Delhi paid ₹131.45 lakh to NDMC towards the electricity tax during April 2009 to December 2014, which was not payable as per Article 287 of the Constitution of India.

On being pointed out this case, AFS, New Delhi intimated (March 2015/July 2015) that the case for waiver of electricity tax was taken up with NDMC, which has not been agreed to. As per NDMC, the exemption of electricity tax is available only from law of a State Government, whereas NDMC Act, 1994 provides for such tax as Union tax.

NDMC in its reply stated that the matter has been re-examined in detail by the Finance Department in the light of opinion of Law Department, and that tax being levied in electricity bills raised by NDMC are in order as this was authorised by the Central Government and not the State Government and this tax is payable by all categories of consumers situated in NDMC area without any exception.

Reply furnished by the AFS, New Delhi and that of NDMC may be seen in view of following:

a) Section 60(2)(c) of NDMC Act, 1994 authorises that the Council "may" levy a tax on consumption, sale or supply of electricity, and is general in nature, hence the provisions of NDMC Act cannot be construed as an exception to the Article 287 of the Constitution which specifically states that, 'any such law imposing, or authorising the imposition of, a tax on the sale of electricity shall secure that the price of electricity sold to the Government of India for consumption by that Government…… shall be less by the amount of tax than the price charged by other consumers of a substantial quantity of electricity.' There is no specific provision in the NDMC Act, 1994 notwithstanding the provisions of Article 287 of the Constitution, to levy Electricity tax on consumption of electricity by Government of India.

b) 'Taxes on consumption or sale of electricity', is under list II- State List of Seventh Schedule (Article 246) of the Constitution.

c) The payments by AFS New Delhi were also in violation of MES instructions on the same subject issued in July 1989 and June 2004, nor was any clarification sought on the issue and payments made under protest; but AF Station, New Delhi continued to pay electricity tax to NDMC.

Thus, AFS, New Delhi was making avoidable payments of electricity tax to NDMC.

The draft paragraph was issued to Ministry in December 2015; their reply was awaited (April 2016).

5.4 Avoidable expenditure of ₹80.07 lakh on repair of an aero engine

Failure of the Indian Air Force (IAF) to ensure compliance to the contractual provisions against unauthorised trans-shipment led to avoidable payment on repair of the aero engine damaged in transit.

Air Force Liason Establishment (AFLE) Nasik is responsible for handing over of aero engines of specific aircraft to HAL Nasik Division for repair and overhaul and taking back after repairs, which are then sent to concerned AF Stations. For transport of these equipment it was using services of an agency (M/s Allround Cargo Carriers, Nasik), for which 25 ED Devlali, Nasik had an annual contract for transportation, which also catered to the requirement of AFLE, Nasik.

As per terms and conditions of contract with the transport agency, insurance was at the discretion of AF authorities and trans-shipment of cargo *enroute* was not permitted except on prior written approval. As per clause 18 of the contract, the transporter was liable to compensate Air Force fully for any loss / damage to the stores.

AFLE , Nasik despatched (June 2007) a serviceable engine to 11 wing, AF Tezpur by a hired civil truck through contracted transport agency. However, on receipt at 11 wing, the engine was found badly damaged due to unauthorised trans-shipment of the engine *enroute* by the transporter. Hence, 11 wing, AF raised (July 2007) a Discrepancy Report (DR) against AFLE, Nasik and initiated a loss statement for ₹64.91 lakhs towards damages to the engine. The damaged aero-engine was subsequently (March 2008) repaired by HAL, Koraput at a cost of ₹80.96 lakh.

Audit (November 2014) of records of AFLE Nasik revealed that:

a) AFLE Nasik had not insured the consignment although Aero engines are costly equipment (₹4 crore in this case).

b) No AF escort was deputed along with the consignment to ensure its safe carriage.

c) Unauthorised trans-shipment by transporter was contrary to contract terms and conditions.

d) Although provision existed in the contract (clause 16 and 18) to make the transporter liable to compensate the IAF for any loss /damage to the stores, the matter remained under correspondence for three years between AF and the transporter. Finally, at the request of the transporter Headquarters Maintenance Command (HQMC) IAF appointed (May 2010) a Sole Arbitrator who accepted the plea of the carrier, that IAF had not disclosed the special nature of consignment and value as required under Carrier Act, 1865, though such conditions were not expressly provided in the contract. 'Aeroengines' are not listed in the Schedule to the Carrier Act, 1865 listing valuable items under the Act. The transporter expressed inability to pay the compensation was also accepted on face value without bringing evidence as to financial status of the transporter on record and a paltry amount of ₹0.97 lakhs penalty (about one *per cent* of the loss to IAF) was awarded. The recommendations of sole arbitrator were accepted and approved (July 2011) by HQMC. The penalty was adjusted by part receipt of cash and by forfeiting transportation charges.

e) Court of Inquiry (CoI) to investigate the cause of damage to the engine was convened (August 2013) by AFLE, Nasik only after a lapse of six years against the stipulated period of three months from detection of loss. The CoI recommended regularisation of the loss of ₹80.07 lakh without fixing any responsibility for the lapses or suggesting remedial measures.

Accepting the facts, HQMC stated (November 2015) that as per existing rules and regulations of Air Force, IAF was not bound to disclose to civil firms the contents of the consignment being despatched through them, but admitted that AF was at fault for not deputing an escort for despatch and for not raising the claim in time. However, no reason was furnished for the abnormal delay (six years) in holding the CoI to investigate the damage to the engine.

Thus, failure of the Indian Air Force (IAF) to ensure compliance to the contractual provisions against unauthorised trans-shipment led to avoidable payment on repair of the aero engine damaged in transit. Further, not holding CoI in time to fix responsibility for the lapses and suggest remedial measures to avoid the above lapses / losses in future indicated lack of due diligence on the part of IAF.

In reply to the draft paragraph, the Ministry accepted (March 2016) the audit findings.

New Delhi
Dated: 30 May 2016

(B.P. YADAV)
Principal Director of Audit
Air Force

Countersigned

New Delhi
Dated: 30 May 2016

(SHASHI KANT SHARMA)
Comptroller and Auditor General of India

ANNEX

Annex –A

(Refers to Chapter II)

Details of issues raised in previous Audit Reports, recommendations made there under and action taken by the MoD and areas for current audit

Report Year/ Para no.	Issue in brief/ recommendation made	Action Taken/MoD's reply	Areas for scrutiny in current audit
1. Underutilisation of fleet and unnecessary procurements			
1998/2.5.1	**Unauthorised diversion of two Boeings to AHCS** - The Squadron was established for two Boeing. In August 1993, Air HQ diverted two more Boeings to the Squadron from another Air Force unit without the approval of MoD.	MoD stated that two Boeings diverted to AHCS were not utilised for VIP role and were utilised for training to ensure maximum availability of the original two B-737 aircraft for VVIPs.	The two diverted Boeing were since withdrawn from AHCS. As action was taken on the issue, not covered in present audit.
1998/2.5.2	**Underutilisation of Boeing-737 aircraft**- Boeing-737 aircraft was used 67 *per cent* of prescribed hours and, of this, merely 29 *per cent* was utilised for VVIP role.		Utilisation of BBJ aircraft and training in AHCS.
1998/2.5.4	**Underutilisation of Avro aircraft**- Avro aircraft was used for 26.56 hours per aircraft per month against prescribed 45 flying hours (*i.e.* 59 *per cent* utilisation) and, of this, only 18.66 *per cent* was used for VVIPs.	Use of VIP flights by OEPs were regulated by GoI orders and Avro aircraft were generally used by VVIPs only to the airfields which were not capable of undertaking Boeing-737 operations or when the Boeing aircraft was not available.	Utilisation of Embraer aircraft

1998/2.14	**Recommendation**: The analysis of utilisation of special flight including un-substantiated requirement by OEPs and overall low utilisation of fleet give an unmistakable impression of over-provision of AHCS fleet which needed to be reduced and controlled. **Recommendation**: Powers to determine the strength of fleet of AHCS by new acquisition should vest only with the Cabinet since maintenance of AHCS committed a substantial amount of non-recurring and recurring expenditure.	MoD stated that there was a system of periodic review of requirements of number of aircraft/helicopters in AHCS.	Utilisation of fleet strength of AHCS, and periodic review undertaken by MoD. Authorisation for new acquisitions by cabinet.
2006/2.1	**Propriety in acquisition of Embraer fleet** (at cost of ₹712.51 crore), in replacement of Avro aircraft, and further expenditure of ₹126.90 crore on its up-gradation was questionable as Avro fleet was used for VVIPs only to the extent of 3.9 *per cent* of total utilisation.	MoD stated that the usage by entitled personage, including the President, the Vice-President and the Prime Minister was 50.8 *per cent* (3.9 *per cent* by VVIPs and 46.9 *per cent* by OEPs). Taking into account the average utilisation of the VIP Avro aircraft, four Executive Jets were required to be fully replaced against seven Avro aircraft from AHCS.	Extent of utilisation of Embraer for VVIPs.
2008/2.1	**Acquisition of one additional BBJ** aircraft at a cost of ₹312.44 crore was unjustified in view of fact that the procurement of BBJ aircraft was a replacement of two existing Boeing-737 aircraft which had low utilisation.	MoD stated that every VVIP commitment commencing from New Delhi required two aircraft to be available (one main and one standby). Hence, when one aircraft was undertaking a commitment, if there was a second commitment, the first aircraft had to come back leaving the VIP out station if only two aircraft were there. Also the aircraft has to be repositioned for return flight of the VIP. That resulted in increased flying effort and cost of operation, which could be avoided if third aircraft was available. Also each of the aircraft was required to undergo stringent servicing and the third aircraft would always ensure availability of standby aircraft.	Utilisation of AHCS fleet.

2.	**Non-use of commercial air services by OEPs**		
1998/2.6 1998/2.14	There was non-compliance to Presidential orders (1981) on economy measures due to travelling of OEPs by VIP flights instead of commercial flights. **Recommendation -** System of utilisation needed to be streamlined and made transparent to ensure that OEPs utilised VIP fleet only in inescapable cases of non–availability of commercial air services or emergencies.	MoD stated that the trips were made for urgent official requirements keeping in view time constraints and official assignment/visit.	Examination of controls in MoD to see that flights are used only in urgent official requirements by users.
3.	**Flying without justification by OEPs**		
1998/2.7	**OEPs used Boeing/Avro aircraft even when few persons travelled** - Boeing and Avro aircraft were used by OEPs even when very few persons were required to undertake the Journey. Out of 1814 Avro sorties for OEPs, 748 sorties carried 1 to 5 persons only.	MoD stated that the instructions on use of VIP flights of IAF did not provide for any minimum number of passengers to be lifted in aircraft deployed for OEPs. Airlift on IAF aircraft was authorised normally on payment basis, as per the rates notified by GoI. The Trips were made for urgent official requirements keeping in view time constraint and official assignment/visit. The use and type of aircraft was decided on the basis of various considerations including load requirement, the distance and speed of aircraft, time constraints, etc.	Controls to check use of Embraer aircraft by OEPs
4.	**Empty Flying**		
1998/2.9	There was significant empty flying of VIP fleet, though Presidential orders (1981) stipulated that unnecessary flights by aircrafts returning empty from destination and going back to collect the person concerned were to be avoided.	MoD stated that empty flights were avoided unless necessitated by operational/ maintenance requirements and Air HQ keep strict control on these flights.	Examination of reduction of empty flying.
5.	**Non recovery of charges**		
1998/2.11	Personnel travelled with VVIPs/VIP were either their family members or media personnel for which no recovery had been affected in the absence of any instruction from the concerned Ministry. The system of recoveries from non-official persons accompanying the VVIP/VIP was not fool proof.	No ATN received.	Examination of effectiveness of recovery system.

6.	**Non submission of Indemnity Bonds, etc.**		
1998/2.13	Duty Flight Certificate and Indemnity Bonds/undertakings were not obtained, which was a violation of Presidential orders.	MoD stated that Indemnity Bonds were not received in advance by IAF. However, passenger manifest was provided by VVIP/VIP Secretariat to Air HQ in advance and Indemnity Bonds/ undertakings were always obtained before flight takes off.	Examination of system of submission of Indemnity Bond and Duty Flight Certificate before flight takes off.
7.	**Delay in replacement of Mi-8 Helicopters**		
2013/ 11&13	There was delay and deficiencies in acquisition of Augusta Westland (AW-101) helicopter, which were to replace Mi-8 helicopter.	No ATN received	To examine plan for replacement of ageing Mi-8 fleet.

Annex –B

(Refers to Paragraph 5.1)

Status and utilization of Access Control System at sampled units

Sl No	Name of the unit	ACS installed or not	Turnstile / door operating system installed with ACS or not	Security System other than ACS	System of passes to visitors/ vendors	Remarks
1	AFS 'K'	Yes	No Turnstile/door operating system - No	NIL	Manual paper passes	Smart cards being displayed on Officer's, Airmen and civilians uniform at the unit, but not being used for access control in absence of turnstile doors.
2	Unit 'L'	No	No	NIL	Manual paper passes	Manual computer printed / card type passes are being issued.
3	Unit 'M'	Yes	No	NIL	Manual paper passes	-
4	Unit 'N'	No	No	IRIS installed at eight places	Visitors/ vendors go through IRIS scan.	IAF Police / Guards / Watchman manned by all gates to ensure that personnel are entering into the buildings after IRIS scan
5	AFS 'O'	Yes	No	NIL	Manual paper passes	Some of the important assets such as AFNET and IMMOLS are fitted with additional security system.
6	AFS 'P'	Yes	No	Biometric system with IRIS	Manual paper passes	Biometric system with IRIS installed at ATC complex
7	ED 'Q'	Yes	No	Biometric Time Attendance System	Manual paper passes	-
8	Wing 'W-2'	Yes	Yes	NIL	Manual paper passes	Only two PVC smart cards were issued to civilians and no PVC cards were issued to dependents / visitors till December 2015.
9	Wing 'W-3'	Yes	No	NIL	Manual paper passes	Unit stated that due to non-procurement of turnstiles / door, the effective control over the access was not being monitored at sensitive places.
10	Wing 'W-4'	Yes	No	Biometric Scanning system is installed at Labour gate to maintain data pertaining to labourers	Manual paper passes	-
11	AFS 'U'	Yes	Yes	Visitor Management System	The station has Visitor Management System. Visitors are being issued with pass printed with unique barcode generated by the system.	As per Standing Orders of the station , all personnel entering technical area are to mandatorily display ACS cards on their uniform

Annex- C

(Refers to paragraph 5.2)

Irregular payment of TPT allowance in eight test checked IAF units

Sr. No.	AF Unit (Month of test check by Audit)	Audit Observation	Unit's reply	Amount recovered after being pointed out by Audit
1	AFCAO (October 2015)	Test check of Transport Allowance payments to one category of Airmen (*i.e.* LAC) revealed irregular payment of Transport Allowance for 281 months to 249 employees during October 2008 to February 2014	Assured recovery of irregular payments pointed out by Audit.	₹2,90,636 (209 employees)
2	CSDO (October 2015)	Test check revealed irregular payment of Transport Allowance for 16 months to 10 employees during April 2012 to July 2015	POR raised for cases pointed out by Audit.	₹57,008 (7 employees)
3	35 Wing (September 2015)	Test check revealed irregular payment of Transport Allowance for 192 months to 82 employees during April 2012 to March 2015	POR raised for cases pointed out by Audit.	₹2,02,365 (55 employees)
4	41 Wing (Sept 2015)	Test check revealed irregular payment of Transport Allowance for 19 months to 10 employees during April 2013 to Jan 2015	POR for cessation of transport allowance of affected personnel has been promulgated.	₹44,829 (11 employees)
5	17 Wing (August 2015)	Test check revealed irregular payment of Transport Allowance for 128 months to 51 employees during Jan 2013 to June 2015	POR for cessation of transport allowance of the affected personnel has been promulgated.	₹2,20,405 (61 employees)
6	412 AFS (July 2015)	Test check revealed irregular payment of Transport Allowance for 52 months to 35 personnel during Jan 2014 to Sept 2015	Transport allowance in respect of 16 personnel had been ceased and 19 personnel had been posted out.	₹1,86,299 (38 employees)
7	4 BRD (June 2015)	Test check revealed irregular payment of Transport Allowance for 38 months to 21 employees during June 2014 to May 2015	POR raised in respect of cases pointed out by Audit and review of cases for last four years carried out.	₹10,39,192 (207 employees)
8	12 Wing (November 2015)	During Test check of the records of tour and training it was found that Air Force authorities had paid Transport Allowance to 532 air personnel (Officer/PBORs) for 1178 months between April 2012 and July 2015.	POR for cessation of Transport Allowance due to absence for full calendar month have been promulgated.	₹11,00,292 (366 employees)