

रक्षा लेखा महानियंत्रक

उलन बटार मार्ग, पालम, दिल्ली छावनी-110010

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संख्या आई.एफ.ए./65

दिनांक 22. 4.2014

सेवा में

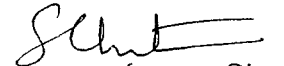
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विषय - वित्तीय सलाह मामले।

Sub - Financial Advice Cases.

वित्तीय सलाह संबंधी परिपत्र सं.-01 – वर्ष 2014-15 का दिनांक 22.4.2014 सूचना एवं मार्गदर्शन हेतु प्रेषित किया जाता है।


Financial Advice Circular No.-01 of 2014-15 dated 22.4.2014 is forwarded herewith for information and guidance please.


ले.अ. (आई.एफ.ए. विंग)

प्रतिलिपि

1. संयुक्त सचिव एवं अपर वित्तीय सलाहकार(एस.), रक्षा मंत्रालय(वित्त), नई दिल्ली
2. संयुक्त सचिव एवं अपर वित्तीय सलाहकार(वी.पी.), रक्षा मंत्रालय(वित्त), नई दिल्ली
3. रक्षा लेखा संयुक्त महानियंत्रक (ले.प.-I)
4. रक्षा लेखा संयुक्त महानियंत्रक (ले.प.-II)
5. रक्षा लेखा संयुक्त महानियंत्रक (प्रशिक्षण)
6. रक्षा लेखा संयुक्त महानियंत्रक (ले.प. समन्वय)
7. रक्षा लेखा व. उप महानियंत्रक (ईडीपी)-कृपया परिपत्र वेबसाइट पर डलवाने का कष्ट करें।

& IFA home page


ले.अ. (आई.एफ.ए. विंग)

CONTROLLER GENERAL OF DEFENCE ACCOUNTS

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Dated 22/4/2014

Subject:- Financial Advice Cases.

The financial advice cases as submitted by Pr IFA (Air HQ) New Delhi, IFA (SC), Pune, IFA (CAC) Allahabad, IFA (R&D) New Delhi, IFA (ENC) Visakhapatnam & IFA (EAC), Shillong, are circulated herewith for information and guidance.

1. A proposal for the procurement of 25 lines of overhaul books and manuals for R-29 Aeroengine

Pr IFA (Air HQs) received a proposal for the procurement of 25 lines of overhaul books and manuals for R-29 Aeroengine required at 4 BRD. AOC approved the proposal for an amount of Rs 12.80 lakhs. After Professional Officers Valuation (POV), the AON amount was revised and benchmark price was fixed at Rs 2.06 crore for 25 lines.

The vendor M/s STE, Ukraine quoted for all 25 lines together as a package against RFP of line wise cost. The bid price was found to be 212.02% higher than the escalated revised benchmarked price (@ 5% per annum up to 2014 level). Therefore, it was advised to constitute CNC with the resultant single vendor.

During CNC meeting with the firm, Pr IFA observed that the single resultant firm quoted the price USD 1,290,000, i.e approximately Rs 8.64 crore (@ Rs 67/ USD on TOD) is higher side i.e. 212.02% more than escalated benchmarked price. Therefore, Finance returned the proposal with an advice that the procurement of these books and manuals would be beneficial if procured from the OEM, otherwise, refusal of OEM may be obtained.

In response to the finance observations, Original Equipment Manufacturer (OEM) was liaised with by AF Dte and updated list of publications were supplied by the OEM which were incorporated by IAF in Overhaul Manuals (OHMS) and some of the books/manuals photocopied with assistance of HAL divisions as such no expenditure has been incurred in the case. Consequently, the specialist officer of the AF Dte re-submitted the proposal with recommendation for short closure of the

proposal. Thus, a saving of USD 1,290,000 i.e. approx Rs 8.64 crore (@ Rs 67/USD on TOD) was achieved to the state.

2. Comprehensive Annual Maintenance Contract for Mobile Thin Clients and accessories at NDA Khadakwasla

IFA (SC) received a proposal for "Comprehensive Annual Maintenance Contract for Mobile Thin Clients and accessories at NDA Khadakwasla" at an estimated cost of Rs 51.64 lakhs. The Supply Order for 2100 of Mobile Thin Clients procured vide SO dated 20th Oct 2010 provided that after completion of warranty of 3 years, AMC for the 4th year would be undertaken by the firm at the agreed rate of 4% of hardware & software cost of the project exclusive of taxes. Similarly, AMC rate was also agreed @ 4.5% for the 5th year and 5% for the 6th and 7th year. The 4th year related to the first AMC.

As against an amount of Rs 20 lakhs for the first year AMC as per the SO, the firm had submitted an offer for AMC of Rs 51.64 lakhs for first year of AMC derogating from the agreed terms and conditions of SO. The AMC rate had been quoted @ 8% of hardware cost and Rs 14 lakhs per annum had been quoted as cost towards manpower requirement i.e. 5 resident engineers. In justification of the higher rates quoted now, the firm made the following points:-

- Supplied hardware is all imported and the cost of the spares is linked with the dollar price. The dollar exchange rate in Oct 2010 was approximately Rs 44/- and now it is increased by Rs 65/- (almost 50% hiked).
- The high inflation rate of manpower cost is almost doubled.
- The consumption of spares for the clients is very high due to improper handling by students of the organization.

It was noticed that the firm's proposal derogated the terms and conditions of a valid contract and therefore, IFA advised that CNC may be constituted for carrying out the negotiation with the firm with the approval of the CFA (Commandant, NDA) to seek agreement on the following points:-

- Agreement with respect to rates of AMC as per terms of the SO.
- No change in the scope of AMC from the terms as mentioned in the SO.
- No additional cost for providing resident engineers separately.
- In case, the firm did not agree to the terms & conditions of the SO as brought out above, it should be treated as non-performance of the firm and Performance Bank Guarantee (PBG) deposited by the firm may be considered for enchashment/forfeiture. The position should be made clear to the firm at CNC.

NDA, Khadakwasla agreed to the advice rendered by the IFA and re-submitted the proposal by including 'Resident Engineers' and with the rate of 4% of basic hardware and software cost with the total cost of AMC of Rs 20.05 lakhs.

AMC has now been concurred and the case has been proposed to be finalized for Rs 20 lakh (Inclusive of taxes) as against of earlier quoted amount of Rs 51.64 lakhs (Inclusive of taxes). As a result, a saving of Rs 31.63 lakhs was achieved.

3. Proposal for procurement of Chapati Making Machine

IFA (SC) received a proposal for procurement of Chapati Making Machine capacity 500-600 chapatti per hour at MH (CTC) Pune at an estimated cost of Rs 7.00 lakh out of ACG.

Earlier, chapatti making machines were procured by Artillery Centre, Nasik and Artillery centre, Hyderabad with higher capacity i.e. 1000 chapatti per hour at a cost of Rs 4.75 lakh and Rs 4.10 lakh. Further, the vendor list in the MH (CTC) case did not have the names of vendors who had supplied to Artillery Nasik and Hyderabad respectively. IFA advised that MH (CTC) should liaise with these two offices regarding their vendor base and performance of chapatti making machine and also advised that technical specifications of chapatti making machine may be reviewed.

Accordingly, MH (CTC) liaised with above mentioned two offices and reviewed the technical specifications of chapatti making machine and formulated in generic terms with five years of expected life of machine and comprehensive AMC till expected life of equipment. The estimated cost of chapatti making machine was also reduced from Rs 7.00 lakh to Rs 4.80 lakh. IFA concurred the proposal from AON angle for Rs 4.75 lakh. Thus, a saving of Rs 2.20 lakh i.e. 31.42% was achieved at AON stage.

4. Proposal for procurement of Qty-26 Video Conferencing equipments

IFA (CAC) received a proposal for procurement of qty-26 Video Conferencing equipments of 'Polycom HDX-7000' brand (item included in PPP FY 2012-13) for an amount of Rs 1.10 crore. IFA examined the proposal and observed that the proposed specification was brand specific and proprietary in nature which was not in consonance with DPM 2009 and CVC guidelines.

HQrs CAC contended that the proposed Video Conferencing equipments are to be integrated and utilized with existing functional video conferencing system. Therefore, equipments of same brand and model are required for standardization and complete integration. However, the contention of HQrs CAC was not found tenable with following reasons:-

- On going through the past procurement case file and the equipments available at different locations within HQrs CAC, multi brand video conferencing equipments i.e. Aethara and Polycom were using successfully and which were compatible with each other.
- Further, there were a number of VC equipments brand available in open domain.

Accordingly, IFA returned the proposal with the advice to review the matter in view of the above.

HQrs CAC agreed to the advice rendered by IFA and the proposal was re-submitted along with amended draft RFP in which specific brand name was replaced with detailed specification to keep the specification industry friendly. IFA accorded AON concurrence to the proposal and draft RFP vetted to go for OTE. During the CNC meeting, BOO (TEC) recommended L1 price of VC equipments was Rs 54.53 lakhs. Thus, a saving of Rs 55.77 lakhs was achieved.

5. Procurement of Chiller Rooms for the messes established at stations under AOR of the HQrs CAC

IFA (CAC) received a proposal for the procurement of Chiller Room for the messes established at stations under AOR of the HQrs CAC for Qty – 17 for an estimated cost of Rs 1.42 crore. IFA examined the proposal and observed that there are over-provisioning of the items for stations and accordingly, following queries have been made for better appreciation of the case:-

- Cost benefit analysis after procurement of these items may be placed in file in detail.
- Quantity of equipments already serving the purpose in the units and benefit of their utilization may also be explained.
- Dining strength of units against posted strength of the personnel/officers.
- As the said item is non-scaled, it has to be ensured that purchase proposals of such items are based on the bare minimum inescapable requirement with due regard to economy of scales as per Para 5.4.2 of DPM-2009.

Dte agreed to the advice rendered by IFA and re-submitted the proposal with the detail of posted strength and dining strength and reduced the proposed quantity from 17 to 08 and also change in the size.

Second time, IFA observed that qty-02 chiller room has been projected for BKT Lucknow, however, initially only 1 chiller room was projected for the same. Therefore, keeping in view of this point, IFA accorded the AON concurrence for qty-07 chiller rooms and CFA also approved the same.

After approval of the CFA, tendering process was carried out and finally cost of the 07 chiller rooms comes out to be Rs 20.19 lakhs. IFA concurred the proposal and the same had also been approved by the CFA. Thus, a saving of Rs 1.22 crore was achieved.

6. Proposal of ANURAG Hyderabad for “Implementation of Integrated data centre at ANURAG”.

IFA (R&D) received a proposal for AON concurrence for “implementation of Integrated data centre at ANURAG for Qty 01 set” at an estimated cost of Rs 16 crores on Open Tender basis. IFA examined the proposal and observed that the budgetary quote of Rs 34.5 crores was placed in file against proposed sanction of Rs 16 crores. IFA requested the lab to provide independent cost assessment along with comparison of existing and proposed infrastructure along with financial implications. During meetings with the Director ANURAG, IFA apprised that against current 189 users inclusive vendors, working on premises, proposal had been made for 300 users.

Director ANURAG agreed to the above observation and assured for re-consideration of estimates. Accordingly, the lab revisited the proposal and worked out revised estimates for Rs 12.6 crore. IFA recommended the proposal for an amount of Rs 12.6 crore as against Rs 16 crore. Thus, a saving of Rs 3.4 crore was achieved.

7. The project titled “EM Gun Powered by a Capacitor Bank”

IFA (R&D) received a project titled “EM Gun Powered by a Capacitor Bank” at an estimated cost of Rs 48.15 crores. IFA examined the proposal and raised following observations:-

- A provision of 20% extra capacitors for replacement had been made. It had also been confirmed that these capacitors do not have a shelf life and normally do not go bad. So, this provision needed a review.
- Rs 2 crore had been provided for design and manufacturing of alternate power sources. As capacitors proposed to be used in the project were

estimated to cost Rs 20 crores, cost of developing alternative power source at Rs 2 crore needed a review.

- Pulse shaping elements had also been catered for approx 50% extra.

IFA discussed the case in detail with scientist 'G' from ARDE Pune. Thereafter, ARDE agreed to bring down the cost of the project to Rs 42.75 crore by reducing 20% extra in capotes, replacing rail Gun with lightweight rail gun cost of projectiles, pulse shaping network and instrumentation. Accordingly, the cost of the project proposal was revised from Rs 48.15 crores to Rs 42.75 crores by the lab and DRDO HQ. Hence, a saving of Rs 5.40 crore was achieved.

8. Proposal of PDC (proposed date of completion) extension and enhancement of fund enhancement of fund in the project "Design and Development of Submunition Warheads for Pinaka".

IFA (R&D) received a proposal for the PDC extension and enhancement of fund for Rs 970 lakh in the project "Design and Development of Submunition Warheads for Pinaka" which was sanctioned in the year 2003 at the cost of Rs 2650 lakhs.

In justification of additional fund, it was mentioned that the funds catered mainly for development of sub-munition warhead structures, sub-munitions along with their fuzes, ET fuze and for the procurement of propulsion system. During the development considerable amount of funds were utilized for development of ET fuze and procurement of large number of rockets for testing and evaluation. Additional fund is required for the procurement of propulsion units, telemetry and sub-munition warhead.

The proposal was discussed in detail with chief controller (R&D) (ACE &SI). IFA suggested revisiting the cost and detailed procurement plan intimating the lead times to be prepared. Finally, the proposal was revised to Rs 3575 lakhs i.e. additional fund of Rs 925 lakh was sanctioned as against Rs 970 lakhs. As a result, a saving to the tune of Rs 45 lakhs was achieved.

9. A proposal on "Establishment of MEMS Packaging facility" of ANURAG, Hyderabad.

IFA (R&D) received a project proposal titled "Establishment of MEMS Packaging facility" at a cost of Rs 6150 lakhs from ANURAG, Hyderabad. IFA examined the proposal and observed that the proposed

expenditure against following heads were over-estimated. Therefore, IFA made following advices:-

- Under the head Revenue provision for movement of personnel/stores and job contract could be reduced from Rs 75 lakhs to Rs 25 lakhs.
- Rs 1 crore towards workstations/computers was not required.
- Provision for MEMs packaging and characterization reduced from Rs 35.50 crore to Rs 32.50 crore.

In view of the above, the project was sanctioned at the cost of Rs 5600 lakh and saving of Rs 550 lakh was achieved.

10 A proposal titled “Development of 7+ Km third generation anti tank missiles for advanced light Helicopter –WSI (Army)- HELINA.

IFA (R&D) received a proposal titled “Development of 7+ Km third generation anti tank missiles for advanced light Helicopter –WSI (Army)- HELINA for sanction of additional fund to the tune of Rs 19.19 crore from DRDL, Hyderabad during the month of Dec 2012.

IFA examined the proposal and observed the a weapon system capable of deployment on Advanced Light Helicopter was sanctioned to DRDL Hyderabad on 17th March 2008 at a cost of Rs 55 crore with a PDC of 33 months. The PDC was further revised to 69 months vide corrigendum dated 24.12.10. The Lab processed a proposal during the month of Dec 2013 for one more extension of PDC by 48 months i.e. up to 31st Dec 2017 and enhancement of project cost to the tune of Rs 19.19 crores, citing the reasons that after the maiden Autonomous Ballistic Flight Test, the user viz Army aviation has brought out revised requirement during the interaction meeting.

However, a detailed deliberation by IFA (R&D) with Lab authorities, resulted in reduction in cost of the project by Rs 2.19 crores. The revised cost of the project from Rs 74.19 crores to Rs 72 crore. Thus, a saving of Rs 2.19 crore was achieved.

11. Offloading of Refit Packages (IFA ENC)

Naval Dockyard (V) is responsible for Refit/Repairs of IN Ships and Submarines. As such ND (V) offloads Refit Work to M/s HSL, Vizag which is a PSU on STE basis. IFA observed in past that the financial implication was very high always through single tender process. After protracted discussions with Chief Staff Officer (Technical), it was agreed upon to go for LTE instead of STE to M/s HSL. Accordingly, the case of offloading NR of INS cheriyam

was processed on LTE basis. AIP was accorded for Rs 452 lakhs based on BQ. On tendering, the financial implication has come down to Rs 2.18 crore as quoted by L-1 firm. Finally, IFA concurred the the proposal of INS Cheriyaam for Rs 2.13 crore. The persistent advice of IFA to go for LTE instead of STE had resulted in a reduction of Rs 1.79 crore worked out to be 82% on overall L1 cost.

12. Procurement of Automatic Barrel Cleaning Machine of Gun Barrel of 30 mm to 76.2 mm for NAD, Visakhapatnam

IFA (ENC) received a proposal for the procurement from Naval Armament Depot, Visakhapatnam for procurement of two Automatic Barrel Cleaning Machines with barrel cleaning capacity of 30 mm and 76.2 mm with estimated cost of Rs 13.42 lakhs and Rs 14.44 lakhs respectively resulting totaling amount of Rs 27.86 lakhs. IFA observed that another firm had provided a BQ for both the requirement together for Rs 16.30 lakhs. Since the machine would minimize Operating/Maintenance hassles instead of two machines in addition to savings. IFA advised to review the proposal. Accordingly, NAD reviewed the proposal and re-submitted the case for recommending AIP for one machine of Rs 16.30 lakhs and AIP was accorded. Thus, a saving of Rs 11.55 lakhs was achieved.

13. Procurement cases from WED, Visakhapatnam

IFA (ENC) received following two proposals from WED, Visakhapatnam for procurement of spares against Local Purchase Requisitions (LPR):

1. Procurement of five types of spares for Lynx to meet the requirement of INS Kulish, Karmuk and Kirch amounting to Rs 43.88 lakhs.
2. Procurement of 03 types of spares for Sonar Humsa- INS Ranvir amounting to Rs 17.64 lakhs.

It was not clear from the proposals whether the procurement is against BER or against the requisition from ship. Since, both requisitions were of 2012 vintage, IFA advised to review the exact requirement.

WeD (V) reviewed the proposals and cancelled two LPRs pertaining to INS Kulish & Karmuk in r/o the proposal mentioned at SI (1) as the same were met through Ex-WED (Mbi)/Ex-Survey and two LPRs in respect of proposal mentioned at SI (2). Thus, the total amount for the two proposals came down to Rs 16.73 lakhs against Rs 43.88 lakhs in respect of the proposal mentioned at SI (1) and Rs 0.69 lakhs against Rs 17.64 lakhs in

respect of the proposal mentioned at SI (2). This resulted in total savings of Rs 44.10 lakhs in both the proposals.

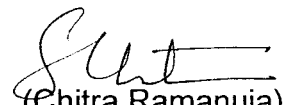
14. A works proposal for Provision for Play Ground

IFA (EAC) received a works proposal for Provision for Play Ground at 58 GTC, Happy Valley, Shillong at the cost of Rs 160.32 lakhs from HQrs 101 Area. IFA examined the proposal and observed following discrepancies/shortcomings:-

- The approved AMWP cost was Rs 180.00 lakhs.
- As per Para 8.7.3 SOA 2009, Sports Grounds is to be normally of the size as stipulated by the National Sports Association where as the Squash Court had been considered as per International standard.
- Authority for construction and size of 2 nos of Basket Ball and Volley Ball courts which was not clear from the Accommodation statement.
- Engineer appreciation was not as per format given in Appendix 'C' of DWP-2007.

IFA returned the proposal to HQrs 101 for complying with the above observations. The proposal was re-submitted by 58 Gorkha Training Centre, Happy Valley, Shillong with an enhanced amount of Rs 189.31 lakhs without complying with the observations raised earlier. IFA also observed from the Accommodation Statement Part – II that area for sitting room, toilet, practice wall, PA etc were included without showing authorized held deficiency and urgency. It was not in the prescribed format and not countersigned by the Engineer Authority. Therefore, IFA again returned the case with a request to comply with the above observations.

The HQrs 101 Area Shillong submitted afresh the works services with an amended cost of Rs 131.41 lakhs as against earlier proposed amount of Rs 189.31 lakhs. IFA concurred the proposal for an amount of Rs 131.41 lakhs. As a result, a saving of Rs 57.09 lakh was achieved.


(Chitra Ramanuja)
Accounts Officer