

रक्षा लेखा महानियंत्रक

उलन बटार मार्ग, पालम, दिल्ली छावनी-110010

(आई.एफ.ए. विंग)

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संख्या आई.एफ.ए./65

दिनांक 15.10.2015

सेवा में

सभी प्र.ए.वि.स/ए.वि.स/र.ले.प्र.नि/र.ले.नि/क्षे.प्र.के

विषय - वित्तीय सलाह मामले।

Sub - Financial Advice Cases

वित्तीय सलाह संबंधी परिपत्र सं.- 05 – वर्ष 2015-16 का दिनांक 26.8.2015, सूचना एवं मार्गदर्शन हेतु प्रेषित किया जाता है।

Financial Advice Circular No.-05 of 2015-16 dated 26.8.2015, is forwarded herewith for information and guidance please.

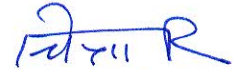


ले.अ. (आई.एफ.ए. विंग)

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 (ले.प. समन्वय)
6. रक्षा लेखा संयुक्त महानियंत्रक (प्रशिक्षण)
7. रक्षा लेखा व. उप महानियंत्रक (ईडीपी)-कृपया परिपत्र वेबसाइट पर डलवाने का कष्ट करें।

(CFA home page)



ले.अ. (आई.एफ.ए. विंग)

Financial Advice Circular No. 06 of 2015-16



सत्यमेव जयते

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Dated: 26.08.2015

Subject:- Financial Advice Cases.

The financial advice cases as submitted by PIFA(Army-O), New Delhi is circulated herewith for information and guidance.

CASE STUDY: 01:- Procurement of Extinguisher Fire Mech Foam 9 Ltrs by Ordnance Dte (Combat Vehicles) under MGO Branch :-

1. A proposal was received for procurement of item Cat/Pt No. K7/4210-000227 Extinguisher Fire Mech Foam 9 Ltrs against APR 2014 deficiency, with source of procurement of ex-DGS&D Rate Contract, under the delegated financial powers of DGOS as CFA in consultation with IFA, at an estimated cost proposed @ Rs. 1480.07 (excluding taxes) per unit with total amount as Rs. 17,88,15,206 (all inclusive) for Qty 95578.
2. IFA examined and observed that against APR deficiency of 2014, Qty 95578 was proposed for AON concurrence/Qty vetting in the month of Jan 2015. IFA advised to review the projected deficiency in a realistic manner as per the DGOS Technical Instructions on the provisioning.
3. IFA also observed that the dues-out Qty 2343 in APR sheet pertained to the period before 3 years from the date of review i.e. 01.04.2014, It was hence advised to consider the consumption pattern of last 5 years and the lowest Average Monthly Usage (AMU) of 1504.646 to be considered for calculation of Maintenance Period (MP), Interim Period (IP) and net deficiency. The proposal was also advised to be reviewed with the delivery period and monthly production capacity of the vendors indentified from the DGS&D rate contract.

4. The proposal was reviewed and revised Qty and total deficiency was worked out as 60,375 with net financial of RS. 11,47,76,190. This resulted in **saving of approx. Rs. 6,40,39,016.**

CASE STUDY: 02:- Procurement of Sight Bore Muzzle TXP – 7 – 195 by Ordnance Dte (Tech Stores) under MGO Branch :-

1. A proposal was received for procurement of item Cat Part No. V5/4933-000380, Sight Bore Muzzle TXP-7-195 applicable to ICV BMP-I &II Common, ex-OLF Dehradun against APR 2014-15 deficiency, at the estimated cost @ Rs. 52908.42 per unit. Total amount was approx. Rs. 3.82 Crore for Qty 722.

2. Pr.IFA scrutinized and observed all cases of procurement from OFB were required to be processed with 24 months lead time. However the required Qty 722 was worked out taking lead time of 36 months, which is a case of over provisioning. It was also observed that Qty 722 worked out was significantly higher w.r.t demand reflected in previous years review.

3. Remarks:- Dte was advised to revise the proposed Qty and total deficiency was re-worked out as per DGOS policy of reduced lead time of 24 months, which led to reduction in total Qty from 722 to 598. Pr.IFA(Army-O) concurred the revised proposal of Qty 598. leading to **saving of Rs. 66 lakh.**



(Chitra Ramanuja)
AO, IFA Wing

Financial Advice Circular No. 05 of 2015-16



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Dated: 26.08.2015

Subject:- Financial Advice Cases.

The financial advice cases as submitted by IFA HQMC (AF), Nagpur is circulated herewith for information and guidance.

1. Provision of Facility for recycling of Waste Drainage water at 13 BRD : Financial case :-

Admin approval was issued for an amount of Rs. 74.023 lakh under the inherent powers of AOC-in-C for provision of facility for recycling of waste drainage water at 13 BRD AF. As the case fell within the inherent powers of the CFA, AEs were not submitted for vetting to IFA (MC) Nagpur.

The lowest tender received in the subject case amounted to Rs. 126.24 lakh which was much beyond the tolerance limit of 10% of the admin approval amount. Accordingly, HQMC submitted a case for financial concurrence along with the revised AEs for Rs. 137.61 lakh against the original Admin approval amount of Rs. 74.023 lakh.

On detailed examination of the case, the following facts came to light.

(i) In the original AEs, capacity of 75,000 litres per day was erroneously taken into account for working out the cost estimates whereas capacity mentioned in the tender documents was 2,00,000 litres per day.

(ii) While in tender, operation & maintenance for two years was solicited, AEs were prepared taking into account O&M for one year only.

Due to above discrepancies, financial concurrence to the revised AEs and revised Admin approval was necessitated. Financial concurrence was accorded to the case highlighting the fact that had the case been processed properly while finalising the original AEs and Admin approval, it would have gone beyond the inherent financial

powers of AOC-in-C at initial stage itself and the discrepancies in question would have come to notice earlier thus avoiding the need for revised AEs.

Nevertheless, the examination of the case has revealed that:

- (i) Although the statement of case submitted by the BOO indicated the capacity of 200 m3/day, cost estimate(AEs) prepared was for much less capacity which fell within the inherent powers of the CFA depriving IFA an opportunity to vet the AEs and detect the discrepancies at initial stage itself.
- (ii) Tender documents issued were at variance with the sanction given by the CFA in respect of capacity of the plant and duration of the period of operation & Maintenance, thus necessitating the formulation of revised AEs and financial concurrence thereto.

2. Procurement of Klystron Tank with Inner Equipment :-

1. A case for Procurement of Klystron Tank with Inner Equipment for 3 lines amounting to Rs. 3,25,80,860/- was submitted for scrutiny and financial concurrence to IFA HQ MC as per the following details :-

SI No.	Item	Qty	Unit Rate	Toatal Price
(a)	Capacitive Voltage Divider	2	113599.20/-	227198.40/-
(b)	Filament Transformer	2	1718600/-	3437200.00/-
(c)	Pulse Transformer	2	14458230.80/-	28916461.60/-
				32580860.00/-

2. It was seen from the budgetary quote of M/S BEL that MOQ of 2 Nos was quoted for each of the above items. Hence HQ MC was asked whether there was an actual requirement of quantity 2 for all the items or 2 Nos. were proposed only because of MOQ condition given by BEL.

3. It was felt that if only one quantity of each of the lines was actually required, other one number spare will have to be stocked and would become non – moving for a considerable period. The cost of the spares was also high, therefore, there was a need for judicious purchase. As BEL was an indigenous source and also a PSU, assurance level of spares was high which did not warrant their stocking for a long time.

4. HQ MC was requested to review their requirement. They were able to locate one Pulse Transformer at one of the units, hence the item was deleted from the SOR. HQ MC also asked M/S BEL to relax MOQ condition which they agreed to. A revised proposal for two lines with quantity one number each for an amount of Rs. 19,23,809/- was submitted as per details below : AON concurrence was accorded by IFA HQ MC.

SI No.	Item	Qty	Rate
(a)	Capacitive Voltage Divider	1	1,19,279/-
(b)	Filament Transformer	1	18,04,530/-
			19,23,809/-

Thus quantity reduction amounting to **Rs. 3,06,57,051/- (Rs. 3,25,80,860/- - Rs. 19,23,809/-) was achieved.**

3. **Procurement of Blanket AF Blue for issue to Airmen, Airmen Trainees & NCs (E) : Savings :-**

1. A case for procurement of 1,27,000 blankets AF blue for Rs. 19,30,40,000/- for issue to Airmen, Airmen Trainees & NCs(E) for PR cycle 2010-15 was received by IFA (MC), Nagpur.

2. During scrutiny of the case, it was observed that in addition to requirement for regular issue, Airmen Trainees, NCs (E) & Camp Kits, Qty- 1,06,200 (i.e. 50 % of the requirement for airmen) was included for seasonal loan issue. As per Para-37 of IAF 1501 up to 2 blankets per Airman can be issued on loan basis during the cold season on recommendation of Medical officer and promulgated through the Station Routine Order by the CO of the unit. However, it was observed that no Station Routine Order was enclosed in the case file and seasonal issue was worked out in an ad hoc manner based on the strength of the airmen posted in cold climate. It was also observed that the criteria for considering 50% strength for loan issue was not submitted.

3. In reply HQMC submitted that 70% strength of Air Force was posted in the cold climates whereas they had projected extra blankets on account of seasonal issue only for 50% strength. The consumption pattern was studied and it was observed that taking into account CAR (Current Annual Rate) for the item, the quantity projected should have been much less. HQMC accepted the advice of their office and reduced the SOR quantity from 1,27,000 to 1,00,000. As such the financial effect also got reduced from Rs. 19.30 crore to Rs. 15.20 crore resulting in a **saving of Rs. 4.10 crore.**

4. **Provisioning Review Pertaining to Ni-Cd Battery for Mig Variants :-**

1. Proposal for Provisioning of Ni-Cad Battery for MIG Variants for one line (650 Nos of Battery) for an amount of Rs. 5,52,50,000/- was submitted to IFA HQMC for AON concurrence.

2. The case was examined and it was brought to the notice of HQMC that there was a phase out plan in offering in case of Mig-21 and in view of this phase out plan the quantity of 650 Nos. projected needed re-examination.

3. HQMC appreciated the point and considered reduction of 50 Nos of batteries in the proposal.
4. A revised proposal for 600 Nos of Battery amounting to Rs. 5,10,00,000/- was submitted for concurrence which was concurred in by IFA, HQMC.
5. Thus a reduction in quantity to the tune of Rs. 42,50,000/- (Rs. 5,52,50,000 – Rs. 5,10,00,000/-) was achieved.

5. Procurement of non-mandatory consumable spares of VUC 201 A communication System :-

A proposal for procurement of 34 lines of non-mandatory consumable spares of VUC 201 A (communication system) was submitted to IFA HQMC (AF) for concurrence on AON & EAS angle. Value of the proposal was Rs. 22,50,12,134/- under code head 742/10 under schedule XII A of Delegation of Financial Powers. It had been proposed to procure the aforesaid spares by placing of RMSO on HAL.

Summary:-

The proposal for procurement of 34 lines of non-mandatory consumable spares of VUC 201A (communication system) was submitted to IFA HQMC (AF) for procurement based on the PR cycle – 2010-15. The total cost of proposal Rs. 22,50,12,134/- is based on the budgetary estimate submitted by M/s HAL (Hyd). The case has been received in their office and recommended by penultimate CFAs for concurrence of IFA HQMC (AF).

Analysis of the case:

The case was scrutinized and in addition to other points it was observed that the quantity proposed for procurement were escalated to a great extent without any justification on the basis of generic statements. As the items are of high value their office had requested HQMC (AF) to consider to examine the proposed quantities.

In response to the advice of IFA HQMC the case was re-examined by HQMC (AF) all the relevant worksheet/SORs associated with quantity were re-calculated. On re-calculation the value of the proposal reduced to Rs. 4,53,78,577/-. Accordingly, revised proposal amounting to Rs. 4,53,78,577/- was submitted for concurrence by IFA HQMC (AF).

6. Establishment of Complex for water based adventure activities :-

Introduction :

HQMC AF Nagpur looks after the provisioning procurement and maintenance of Aircrafts and equipments under the Indian Air Force.

Office of the IFA HQMC renders financial advice to proposal related to the provisioning and procurement submitted by HQ Maintenance Command Nagpur.

Summary :

A proposal for establishment of "Water Adventure Complex" at 25 ED AF Devalali under HQMC at the estimated expenditure of Rs. 10,32,087/- was initiated by command HQ under schedule XVI(e) of Gol MoD letter No. Air HQ/95378/1/Fin P/2431/US(RC)/Air-II dated 14th July 2006 under the code head 797/01(Adventure). The purpose for creating water based adventure complex was stated to foster adventure activity amongst the air warriors, civilians and their dependents (at 25 ED AF).

Analysis of case :

The proposal to establish a water adventure complex at 25 ED AF Devlali for water based adventure activities under the aegis of HQMC Sports Control Board was analyzed and it was observed that the Scale of Accommodation does not indicate the facility required as per proposal. Merely stating that the proposal comes under schedule XVI (e) was not found convincing. The justification and fulfilment of conditions governing the requirement has not been brought out clearly in SOC. It was assessed that the conduct of various only those adventure activities could be conducted, which are authorized in the annual government sanction. Further, undergoing adventure activities is one thing and creating assets for adventure activities is one thing and creating assets for adventure activities is another, and spending more than 50% of adventure activity allocation (Total Rs. 20 lakh has been allotted under Adventure Activity) to only one of the units of MC will deprive other units of this allocation thereby defeating the very essence of adventure activities and its promotion.

Conclusion:

On account of said analysis and examination the case for procurement of equipments for establishment of water adventure complex at an estimated cost of Rs. 10,32,087/- was returned without concurrence. There being no sanction from Gol/Air HQ regarding establishment of "Water Adventure complex" at 25 ED AF along-with non availability of authorization from Air Headquarters the proposal has not been concurred.

7. Procurement of Communication/Security Equipments :

Introduction :

HQMC AF Nagpur looks after the provisioning, procurement and maintenance of Aircrafts and equipments under the Indian Air Force.

Office of the IFA HQMC renders financial advice to proposal related to the provisioning and procurement submitted by HQ Maintenance Command Nagpur.

Summary:

A proposal for procurement of security/communication equipment (consisting of 4 different items) at the estimated cost of Rs. 18,02,718/- for units under HQMC was initiated by Command HQ under schedule XX(i) of FR Part 1 Vol 1. The purpose of procurement of security/communication equipment is to meet the challenges with fast changing security scenario by providing speedy communication to all concerned in case of security threat.

Analysis of case:

The proposal was analyzed keeping in view the security aspects and the purported security threats from anti national elements. The case for procurement of Communication Equipment at an estimated expenditure of Rs. 17,26,994/- was initiated for procurement under schedule XX of Gol letter dt. 14th July 2006 under LTE. But was subsequently changed the mode of procurement to PAC. A duly countersigned PAC was also enclosed with the proposal. But since initial LTE proposal had a list of vendors also the proposal was concurred from AoN angle under schedule XX of Gol letter dated 14th July 2006 on LTE basis. After AON sanction accorded by CFA, the tenders were issued to 9 firms under two bid system but response were received only from 2 firms namely M/s AE Telelink Systems Ltd, New Delhi and M/s Arya Communication & Electronics Services Pvt Ltd. This was considered as a very poor response/lack of competition. Still the quotes of both the vendors were examined by duly constituted TEC. The TEC found only one firm as technically qualified and recommended for opening of commercial bid of the said single firm. The proposal referred to resultant single vendor situation. It was also observed that the vendor was same against whom PAC was furnished. Pointing the said facts and limitation of competition it was suggested for re-tendering the case by reviewing the specifications to facilitate wider and adequate competition. This was approved by AOC-in-C as CFA. After revision in specifications, approved by CFA, the proposal was re-tendered on 14-11-12. Against which response were received from 3 firms namely M/s ICONET Services Chennai, M/s ESTEX TELECOM PVT LTD New Delhi and M/s Arya Communication & Electronics Services Pvt. Ltd Delhi. TEC in its report submitted on 8th December 2012

recommended opening of price bids of all the three firms. Subsequent to opening of price bids the cost of Rs. 11,58,905/- (Inclusive of VAT, ST & Installation, commissioning) quoted by M/s ICONET services, Chennai was found to be lowest and hence accepted.

Conclusion:

Initially the case was projected to be processed through LTE. A list of 9 firms to whom TE was required to be floated was also attached with the proposal thereby making it clear that the case falls under LTE where value was less than Rs. 25 lakh. Subsequently the mode of tendering was changed from LTE to PAC (from M/s Arya Communication & Electronics Services Pvt Ltd Delhi, who is the authorized distributor for Motorola Equipments). This was objected to, with the advice that more vendors could be included in the list to widen competition in order to obtain best value for money and also suggested that PAC cannot be resorted to for convenience. After LTE mode of tendering only 2 quotes were received which was also not accepted being poor response it was suggested to go in for re-tendering. After that the quotes were received and analyzed technically and financially and cost quoted by L1 firm of Rs. 11,58,905/- was accepted which was less than the AON cost of RS. 17,26,994/-. Thus, due to advice at each stage of tendering and procurement procedure, their office could achieve a net **savings of Rs. 5,68,089/-**. The element of transparency was also maintained.