Office of the CGDA West Block-V, R.K.Puram, New Delhi-110605
(Pr. IFA Wing)

Financial Advice Circular No. 1 of 2009*

No. PIFA/MAR/15023/Vol. V **Dated: 8TH April. 2009**

To

All PCsDA/CsDA/IFAs/RTCs (Dedicated and Nominated)

Sub: Savings.

Cases of financial advice rendered by IFAs which have resulted in substantial savings are circulated herewith for information and guidance of all concerned.

IFA BR Delhi Cantt.

(i)

Diary No.	Project	Job No.	Name of Job
1325	Sampark	247/73	AE for rectification of disturbed road side berms due to laying of OFC by BSNL (Kathua Exchange Area) between km 30.00 to km 86.00 on road on road Basholi-Bani in J&K State.

The subject AE was received for Rs. 62.05 lacs. It was observed that item No. F-201 of SSR 2004 amounting to Rs. 10.02 lacs was considered in the AE, which is for rough excavation in soil. However, another item F-702 of SSR 20o4, which is for earth in embankment including excavation of earth and filling with earth work was also considered in the AE. It was, therefore, advised that item No. F-201 may be deleted from the Estimate so that same item could not be considered twice,. The deletion of item also affects the escalation and other charges downwards. Finally, the AE was concurred for Rs. 45.48 lacs. Thus an amount of Rs. 16.57 lacs was saved.

(ii)

Diary No.	Project	Job No.	Name of Job
1292	Chetak	1207/32	AE for construction/improvement of road sector Hoshiarnagar-Sohal road junction (net length 21.730 kms) sector-III from km 51.16 to km 72.730) on road Ajnala-Chuckakwal-Gandiwind-Sohal road junction in Amritsar district of Punjab.

* **Financial Advice Circular Nos. 1 to 17 issued in 2008**

The subject AE was received from Rs. 2801.69 lacs. It was observed that surfacing work including material was proposed to be executed through contract. However, it was changed to be executed through departmental resources with supply of material through contract. Royalty charges on water, which was available for free of site, was got deleted as it was not admissible. Road side accommodation @2% on surfacing work was considered in the AE which was objected to by IFA BR and advised to delete the same as it is not admissible on surfacing work. The provision of road side accommodation was accordingly deleted. It was also observed that credit of retrieved material was not considered in the back filling for culverts. On the advice of IFA BR, the credit of retrieved material was given in the estimate. Prevailing rate of cement was not considered correctly in the estimate which was got corrected. Escalation charges were also not worked out correctly. The same was got corrected. After all these corrections, the estimate was finally concurred for Rs. 1921.30 lacs. Thus an amount of Rs. 880.39 lacs was saved.

(iii)

Diary No.	Project	Job No.	Name of Job
1390	Deepak	502/152	AE for widening / improvement of road Joshimath-Malari from class-9 surfaced to NHDL specifications in road sector from km 31.00 to km 36.80.

The subject AE was received for Rs. 1920.05 lacs. It was observed that carriage of material was considered in the estimate on the basis of Rate Analysis whereas the element is available in DGBR SSR 2004 as item No. F-701 & F-702. It was also observed that Adm. Overhead and Supervision charges @21.898% was considered on cost of material which was proposed to be procured on supply contract. Since the Adm. Overhead and Supervision charges are levied only on DGBR SSR 2004 items and not on contracted items the same was got deleted from the estimate. It was also observed that 2084 mtr. length of Breast Wall of 3.00 mtr. was considered twice in the estimate. The same was also got rectified. These corrections cost of contract material and other charges. Finally, the estimate was concurred for Rs. 1437.95 lacs. Thus an amount of Rs. 482.10 lacs was saved.

(iv)

Diary No.	Project	Job No.	Name of Job
1406	Vartak	105/300	AE for special repair to damaged pavement and rectification works on Likhabali-Along road between km 12.150 and km 72.000.

The subject AE was received for Rs. 2233.12 lacs. It was observed that surfacing works on stretch from km 70.684 to km 72.00 was done in 2007-08 as mentioned in the Statement of

Case. However, the same stretch was also found included in the present AE, which was objected to by IFA BR and got deleted from the AE. It was also advised to review the 10% extra passing place and curves, which was accepted and reduced to actual number of passing places on ground with 5% extra for curves. Finally, the AE was concurred for Rs. 1522.55 lacs. Thus an amount of Rs. 710.57 lacs was saved.

(v)

Diary No.	Project	Job No.	Name of Job
1437	Vartak	103/463	AE for construction/improvement of existing road Balipara-Charduar-Tawang sector from km 270.00 to km 275.00 to NH double lane specifications in Assam State.

The subject AE was received for Rs. 1075.65 lacs. However, It was observed that quantity of lined drain was not tallied with abstract of quantities. The same was got rectified. The amount of lined drain considered in the AE as per Rate Analysis was also got deleted as the sign posts was also got deleted from the AE Part - II. Quantity of Km stones/Road sign posts was also got deleted from the AE as the same was already included in the DGBR SSR 2004 rates. It was also observed that escalation charges on contracted material were also taken, which was not in order. The same was also got deleted from the AE. Finally, the estimate was concurred for Rs. 904.46 lacs. Thus an amount of Rs. 171.19 lacs was saved.

IFA WNC Mumbai - (AON related saving)

(i) A proposal at an estimated cost of Rs. 8,10,306/- was received from HQWNC, for accord of AIP for development of NCS football ground at New Navy Nagar with filling of Red Soil and Planting of green grass for Western Naval Command teams for training/competitions for various levels of championships & to improve the sports and physical fitness of the naval personnel.

The proposal was returned by IFA stating that NCS ground is not being maintained through public fund and not covered under Annexure 2 to NI 1/S/06.

The file was resubmitted by the Command stating that:

(a) Navy is the custodian of New Navy Nagar ground and located near NCS.

(b) Officers and sailors practice and regularly play football, hockey, handball.

(c) Location of the ground is in New Navy Nagar, within the proximity of married accommodation.

(d) All ships/estt. personnel are utilizing the ground for various inter Navy/Services Championships.

In view of the above, IFA WNC requested to process the case under Sl. No. 40(a) of Annexure II to NI 1/S/06, as amenities. However, IFA did not agree to above as it would tantamount to introducing a new practice/policy. It was advised by the IFA that funds from sports activity may be diverted to Command Amenities Fund for getting the work done.

This has resulted in a savings of Rs. 8,10,306/-.

(ii) Setting up of LAN/WAN at URC outlets : NOFRA – A proposal was received from INS Angre seeking AIP for setting up of LAN/WAN for networking Unit Run Canteen outlets at NOFRA old & New Navy Nagar at an approximate cost of Rs. 15,31,000/-. It was proposed to establish a WAN connecting three URC outlets at NOFRA, old & New Navy Nagar areas to establish better inventory and management control of the operations at URCs. However, the case was not concurred by the IFA as Unit Run Canteens are run on commercial basis, hence expenditure cannot be done through public funds.

This has resulted in a saving of Rs. 15.31 lachs.

(iii) Procurement of Mutton Cutting Machine : INS Viraat – A proposal was received from INS Viraat for procurement of 02 in nos. mutton cutting machine at a approximate cost of Rs. 3,82,500/-.

It was stated in the SOC that, Ships Company, which has a strength of 1200, are served mutton dishes regularly. The mutton presently is cut into smaller pieces using a chopper. In order to save labour, & speed up the process of cutting mutton pieces. It was proposed to procure two electrically operated industrial grade mutton cutting machines with a capacity of 300 kg per hour.

The proposal was however not concurred as a proposal from BVY (MB) to supply frozen mutton in 5 kg packs to ships was under consideration. If such proposal is approved meat will not be supplied to ships in "Carcass" and heavy duty cutting machines will not be required.

This has resulted in a saving of Rs. 3,82,500/-.

(iv) Development of NCS football ground : HQ WNC

A proposal was received from HQ WNC for accord of AIP for development of NS football ground at New Navy Nagar with filling of Red Soil and Planting of green grass for Western Naval Command teams for training/competitions for various levels of championships & to improve the sports and physical fitness of the naval personnel.

It was stated in the SOC, that there is only one football ground a NOFRA which is utilized for all Football events of various levels as well as for recreational activities. Total financial implication for the proposal was Rs. 8,10,306/-. The proposal was not concurred by IFA

as NCS ground was not being maintained through public fund and, therefore, the proposal was not covered under Annexure 2 to NI 1/S/06.

This has resulted in a saving of Rs. 8,10,306/-.

IFA (R&D & DGAFMS) New Delhi

(i) (a) During vetting of CST relating to Rate Contract of PVMS 28060662 Drug Eluting Balloon Mounted Cornronary Stent System (Praclitaxel Coasted), it was observed that there was a discrepancy between the rates offered in words and figures by M/s Boston Scientific. In figures it was @Rs. 67308/ per item + Tax whereas in words the offered rates were @ Rupees Sixty three thousands seven hundred and eight only. Thus, there was a discrepancy of Rs. 3600/ per item. Since 444 qty of the product were to be procured from the firm through RC, as such the total discrepancy worked out to Rs. 15,98,400/ + tax @ 4%.

(b) In another case of PVMS-270711 Set Plasma Blood Saline, M/s Safeguard Surgical, Ahmadabad has offered rates @Rs. 6.86 per PC whereas in words the rates was quoted as Rs. Six and paise seventy only. Since qty 3486048 were to be procured through RC, as such the total discrepancy worked to Rs. 557768/ + Tax @ 4%. As per provisions of DPM 2006 if there is discrepancy between the amount in words and figures, the amount in words will prevail. Accordingly, both the above cases were objected by IFA R&D and DGAFMS was advised to take necessary action as per provisions of DPM provisions of para 4.7(k) of DPM-2006.

Now, M/s Boston Scientific vide their letter have agreed to offer the product at the rate mentioned in words i.e. Rs. 63708/ (Rupees sixty three thousands seven hundred eight only) instead of Rs. 67308/. M/s Safeguard Surgicals vide their letter have also stated that they accept their mistake and offering the product the rate mentioned in words i.e. @6.70 (Rupees six paise seventy only instead of Rs. 6.86 (Rupees six paise eighty six only)).

Thus, as a result of objection mentioned above, the net financial saving achieved in the both the cases is as under:

(a)	1st case qty 444 x 3600(Rs. 67308-63708)	=	Rs. 1598400/-
	Tax @4%	=	Rs. 63936/-
(b)	2nd case qty 3486048 x 0.16 (Rs. 6.86-6.70)	=	Rs. 557768/-
	Tax @4%	=	Rs. 22311/-
Total		=	Rs. 2242415/-

(ii) While vetting the CST in respect of PVMS 011719 HMG1501U injection, it was observed that M/s LG Life Science (L-1 firm) has quoted the price of the subject itme @Rs.

405/plus sale tax Rs. 15.58 i.e. 4% of the basic cost. As 4%of Rs. 405/comes to Rs. 16.20, IFA R&D objected the same and DGAFMS was advised to get the same clarified from the L-1.

In response to this, DGAFMS has called the firm for clarifying the position as objected by IFA R&D & DGAFMS now. The firm reduced the price per vial from Rs.405/- to Rs. 389.50/- with all other terms and conditions remaining same".

Since Rate Contract for Qty 57600 is to be concluded with firm, the net financial saving achieved as a result of objected raised by IFA R&D is as under-

Qty 57600 x 15.50 (Rs. 405-389.50)	=	Rs. 892800/-
Tax @ 4%	=	Rs. 35712/-
Total	=	Rs. 928512/-

IFA MC Nagpur

(i) The case was regarding placing of import indent on Air HQrs. for purchase of MCM (Most Critical Material) List No. 3 in case of A1 – 20D Aero Engine. The financial effect of the proposal was Rs. 2,96,00,086 consisting of 58 lines.

The case was examined in detail and amongst other observations it was observed from the working sheet submitted that in respect of a few lines two sets of quantities were shown (i) quantity based on formula requirement and (ii) quantity based on users requirement. Gross requirement was projected by erroneously adding both sets of quantities which led to projection of inflated quantities in those lines.

The observation was accepted by HQMC and they decided to consider only formula based requirement. The proposal was revised downwards to Rs. 23284180 and number of lines was reduced from 58 to 52. This was concurred from AON angle resulting in a saving of Rs. 6315906.

(ii) A case for procurement of MCM (Most Critical Material) List No. 1 items through import was submitted to IFA MC for concurrence. The estimated value of proposal was Rs. 25289092.

On examination of the case it was observed in addition to other points that in the MCM list the quantity projected was erroneously inflated. First the quantity was calculated based on the formula (FLCRxFF) requirement then the assessment of unit's requirement was added to this and sum was projected as Gross Requirement

(GR). It was pointed out that either formula requirement or users requirement could be considered and not both as the requirement figures would get doubled.

HQMC considered the observation and revised the proposal to Rs. 14015376 resulting in a saving of Rs. 11273716.

(iii) A case for procurement of spares in respect of MIG-23 was submitted to IFA MC at an estimate cost of Rs. 54310189.

The case was examined and in addition to other points following points were observed in the Schedules of Requirement (SORs) by IFA.

(a) There were a number of cases where SOR quantities were doubled as compared to those reflected in PR.

(b) In some cases MPE of 57 months was taken while the correct MPE was 33 months which had inflated the requirement.

In response to IFA's observations, HQMC stated that doubling of quantity in SOR was a system error which had been taken up with TCS. HQMC rectified the SORs in accordance with above observations and the proposal was revised to Rs. 1926452 resulting in a saving of Rs. 3504567.

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