

# रक्षा लेखा महानियंत्रक

उलन बटार मार्ग, पालम, दिल्ली छावनी-110010

(आई.एफ.ए. विंग)

ई-मेल आई.डी.- cgdaifa@gmail.com, टेली - 011-25665569-572, फ़ैक्स/ FAX - 011-25674779

संख्या आई.एफ.ए./65

दिनांक 25.02.2013.

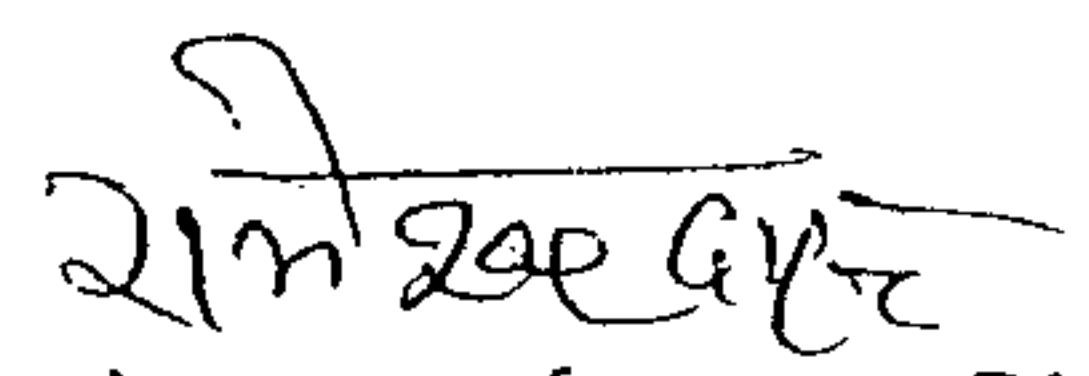
सेवा में

विषय - वित्तीय सलाह मामले।

Sub - Financial Advice Cases.

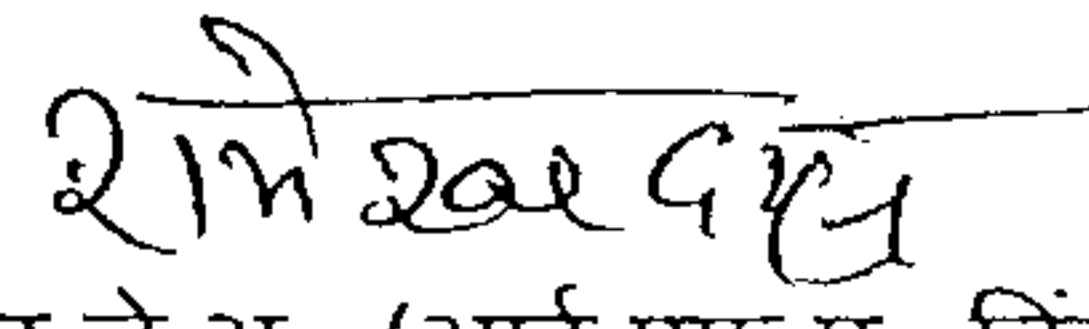
दिनांक 25.02.2013 का वित्तीय सलाह संबंधी परिपत्र सं.-11 -2012-13 कृपया सूचना एवं मार्गदर्शन हेतु प्रेषित किया जाता है।

Financial Advice Circular No.-11 of 2012-13 dated 25.02.2013 is forwarded herewith for information and guidance please.

  
व.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 व. उप महानियंत्रक (ईडीपी)-कृपया परिपत्र वेबसाइट पर डलवाने का कष्ट करें।

  
व.ले.अ. (आई.एफ.ए. विंग)

**CONTROLLER GENERAL OF DEFENCE ACCOUNTS**

ULAN BATAR ROAD, PALAM, DELHI CANTT-110010

(IFA WING)

email id – [cgdaifa@gmail.com](mailto:cgdaifa@gmail.com), Phone – 011-25665569 – 572, fax – 011-25674779

**Dated 25/02/2013**

**Subject:- Financial Advice Cases.**

The financial advice cases of Pr IFA (Naval) HQ, Pr IFA Army-O & IFA HQ SWAC are circulated herewith for information and guidance.

**1. Proposal for Procurement of 06 sets of AGI make Wind Speed Directional System (WSDS) and B & D spares.**

Pr IFA (N) received a proposal for procurement of 06 sets of AGI make Wind Speed Directional System (WSDS) and B & D spares for corvettes at an estimated cost of Rs 8.37 Crores from the concerned Directorate on PAC basis from a foreign firm through an authorized dealer in India.

Pr IFA (N) examined the proposal and observed that last purchase of the similar equipment was made in 2004 for 05 sets at the total cost of Rs 5.58 crores and now, the requirement of 06 sets was projected against the replacement of Anticipated Beyond Economical Repair (ABER). Pr IFA asked for a copy of the board proceedings recommending for replacement on BER basis. From these proceedings, it was observed that the existing 06 sets of equipments were fitted on different points of time by three different vendors. On the basis of this finding, IFA advised that the item should be procured through Open Tender Enquiry (OTE) instead of PAC basis. CFA agreed to the advice of the IFA. Accordingly, OTE was floated wherein 05 firms responded.

In the OTE, 02 of the 05 firms were rejected by Technical Evaluation Committee (TEC). The remaining 03 firms were requested to extend the validity of their quotations. 01 of 03 firms from whom it was originally proposed for the procurement on PAC basis, insisted for revision of his rates along with the

extension of validity of his quotations due to foreign exchange fluctuations. The issue was referred to PIFA for advice. PIFA advised to the Directorate to ignore his quotation as the existing instructions stated that no revision of quote is allowed except due to technical reason and advised for opening of the commercial bids of the other two firms. Before this advice was actually implemented, this particular firm withdrew his condition of revising his rates and offered for opening his quotation as well. In the meantime, he also shot off two complaint letters with the allegation that the other two firms did not have the required technology as per the RFP. This issue was also referred again to the IFA who refused to entertain this complaint letter on the ground that this issue was relating to technical aspect and should be processed and put up to the CFA for his decision. The commercial bids of the three firms were opened wherein L-3 quoted Rs 21.18 crores, L-2 for Rs 08.68 crores and L-1 quoted for Rs 2.55 crores. Further, negotiation was carried out with the L-1 vendor wherein the deal was finalized for an amount of Rs 2.52 crores. Hence, a saving to the tune of Rs 5.85 crores was achieved.

## **2. Annual Maintenance Contract from the OEM.**

A shiplift and transfer system was installed and commissioned through a multinational company for periodical repair and maintenance of ships. It was considered essential to have AMC from the OEM being a complicated system. Accordingly, a proposal was initiated for comprehensive AMC on STE to get the job done from the OEM with the approval of MoD. It was directed by MoD that AMC may be concluded under the delegated financial powers. A budgetary quote of Rs 14 crores was obtained from the OEM. An RFP was floated with the concurrence of the IFA and OEM submitted the quotation of Rs 19.77 crores. A CNC was constituted to carry out the negotiation for rates and other terms and conditions of the contract. The OEM apart from refusing to reduce the price, also objected to certain terms and conditions of the contract such as "**penalty to use undue influences**" which are mandatory conditions in the DPM-2009. CFA was not convinced to the objections that were raised by the OEM firm and finally approved retraction of RFP and initiated the fresh proposal on OTE basis.

In the Open Tender Enquiry, 04 domestic firms were cleared by the TEC. On opening of the commercial bids, M/s Mercury Marine emerged as L-1 with the quotation of Rs 16.44 crores including taxes etc. But the firm has put a condition that any item of works outside the scope of AMC, they will charge Rs 81 lacs as they will have to engage experts from the foreign OEM. The CNC in negotiating with him managed to reduce the total cost to Rs 12.95 crores excluding taxes and duties as against original quotation of Rs 16.44 crores and modified this condition as under:-

**“The service charges of the specialist engineer would be charged on actual and will be in accordance with the approved M/s Rolls Royce Price list promulgated by M/s Rolls Royce periodically. The charges would be as per invoice of M/s Rolls Royce and the price list would be forwarded to the Yard on revision by the firm”.**

When CNC minutes were submitted to Pr IFA for scrutiny and concurrence. It was found that the above condition was against the provision of the Para 231 of GFR wherein it was clearly stipulated that **“a contract must be precise and definite”**. Accordingly, Pr IFA advised the Dte to modify the recommendation of CNC and also to remove the corresponding paras in the draft contract which have been complied with. Thus, an immediate saving to the tune of Rs 3.49 crore was achieved and unlimited & unspecified liability as proposed by CNC has been avoided.

### **3. Consultancy Contract for Naval Aviation Management system (NAMS).**

With the induction of new aircrafts MIG 29 K, P81 etc, there was a felt need for developing and installation of comprehensive Naval Management System to integrate and cover all aspects of Management including operations and logistic support for different types of aircrafts. The estimated cost of the project was Rs 300 crores. Considering the importance and the need for timely implementation and commissioning of the above projects, NHQ projected the need for the engagement of 3<sup>rd</sup> party consultant to facilitate the monitoring of various aspects and timely completion of various milestones. After detailed examination and discussions on file integrated finance concurred the proposal for the 3<sup>rd</sup> party

consultants for implementation of NAMS at an estimated cost of Rs 1.94 crores to be processed in two bids system.

In the OTE, six firms responded and all the six firms were cleared by TEC. When the report of the TEC was put up to the CFA (VCNS) for consideration and approval, he sought the comments of PIFA (N) on file. PIFA observed during the examination of the CNC report that 05 firms out of 06 firms were using the name of same person for domain expert for consultancy (though his name was written differently but could be verified through his date of birth, his residential address, e-mail id and his mobile No). This was pointed out to the CFA with an advice to sort out the issue before opening of the commercial offers, keeping in view of the fact that the contract was to be awarded on the competitive basis. After a prolonged informal discussions and debates with the concerned Directorate, clear indication was given by finance that even in case the technical bids have been cleared by the CFA, finance was likely to raise the issue in the CNC/financial concurrence stage on the ground that the tendering process has been apparently vitiated as five of the vendors are using the same person as a domain expert.

In spite of a strong written justification given by the Directorate, CFA was not convinced and ordered for re-tendering the contract. Accordingly, the re-tendering was conducted wherein 08 firms responded. The 04 firms out of 08 firms were cleared technically and the contract was finally awarded to one of the firms who had not responded in the previous tendering at the cost of Rs 62.62 lakhs+taxes against the estimated cost of Rs 1.94 crores. Thus, a saving of Rs 1.31 crore was achieved.

#### **4. Proposal for the procurement of "Sight Bore Muzzle".**

The Pr. IFA (A-O) received a proposal for the procurement of "**Sight Bore Muzzle**" for Qty 866 at AON stage from the Directorate OS (Armt) in May 2012. The requirement was based on APR 2011-12 carried out by COD Agra on 01 April 2011. The AON was sought at unit cost of Rs 75,981/- based on BQ obtained from M/s OLF Dehradun. The LPP of the item was indicated at Rs 3960/- as per last supply order dated 30 June 2004 on M/s Ray Enterprises.

Pr. IFA advised to explore the feasibility of obtaining Budget Quotes from the last procurement source i.e. M/s Ray Enterprises and also to obtain his willingness to supply the said item. Following the advice of Pr. IFA, the

Directorate (OS) approached M/s OLF Dehradun to provide justification of quoted rates along with cost break-up and also directed COD Agra to explore feasibility of obtaining Budget Quotes from the last procurement source.

COD Agra confirmed that the last procurement source namely **M/s Ray Enterprises** has showed his willingness to supply the said item @ Rs 12,600/- each to a minimum ordered quantity of 50 numbers. M/s OLF Dehradun also reduced its rates to Rs 42,000/- each as against its earlier quotation of the said item for Rs 75,981/- each.

In view of the above Pr. IFA (O) advised that the procurement proposals should be processed through Open Tender Enquiry (OTE) besides forwarding RFPs to M/s OLF Dehradun and M/s Ray Enterprises with a request to submit their competitive quotations for the said item. Finally arrived rate for the item was Rs 12,600 per unit.

Hence, by virtue of the advice by the office of Pr IFA (O) estimated saving to the extent of Rs 5.48 crore at AON stage accrued to the Government.

#### **5. Reconstruction of Unit Shops at AF station**

IFA received a proposal for vetting of Approximate Estimates (AEs) amounting to Rs 173.53 lakhs for the Reconstruction of unit shops at AF station. The proposal was approved in the AMWP 2012-13 at a cost of Rs 200.00 lakhs. During scrutiny of Board proceedings and AEs, IFA returned the proposal and observed that:-

- i. An area of 900 SM was projected in the BOO and Accommodation Statement Part II, whereas as per Para 3.42 of Scale of Accommodation 2009, total authorized plinth area up to 3000 troops is 500 SM. It was, therefore, advised to review 400 SM projected requirement above authorization.
- ii. An area of 340.60 SM had been catered in the AEs for parking sheds of 10 cars and 40 scooters. As the total area on the unit shops is 900 SM, it was advised to reconsider the requirement of 340.60 SM area for parking sheds.
- iii. Since external services such as Drainage, sewage, roads already existed, IFA opined that existing services may be utilized with special repairs.

The unit reviewed the proposal after taking into account the IFA's observations and re-submitted the proposal amount to Rs 148.18 lakhs with following para wise clarifications:-

- i. The area included is as per SOA 2009 (i.e 500 SM) and after application of plinth area conversion factor (PACF), it works out to 900 SM.
- ii. Agreed and Hard Standing has been included in the AEs instead of Parking shed.
- iii. Services which have deteriorated have only been included as found essential.

The IFA vetted the revised AEs for an amount of Rs 148.18 lakhs as against original proposal for Rs 173.53 lakhs and a saving of Rs 25.35 lakhs was achieved.

  
SAO (IFA Wing)