

CONTROLLER GENERAL OF DEFENCE ACCOUNTS

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Sub:- Financial Advice Cases

The financial advice cases as submitted by IFA (WNC), Mumbai and IFA (R&D) New Delhi, are circulated herewith for information and guidance.

1. Proposal for the procurement of 5190 nos. filter elements

A proposal amounting to Rs 40.83 lakhs for the procurement of 5190 in Nos. filter elements for Talwar class of ships through M/s Vizag Filters (P) Ltd, Vizag was received by IFA (WNC) from MO (MB), Ghatkopar on 25.10.2010 for according concurrence on STE basis. But the proposal was concurred on OTE basis on 04.11.2010. Since the HQ WNC insisted for procurement on STE basis, the same was concurred for AIP on STE basis in March 2011.

After tendering, the proposal was received in October 2011 for accord of financial concurrence and vetting of purchase order. Since the AIP was initially accorded long back in November 2010, IFA advised that it may please be reconfirmed whether the requirement for procurement of the proposed quantity i.e. 5190 filter elements still exists. Subsequently, the file was received in March 2012 wherein the quantity was reduced from 5190 to 3104 without bringing out any reason. As a result of reduction in quantity, the proposed expenditure came down from Rs 40.83 lakhs to Rs 24.09 lakhs (@ Rs 776.31/- filter element).

The proposal was received by IFA for according financial concurrence without holding CNC for benchmarking and price negotiation. Since in light of para 4.13.3 of DPM-2009 commercial negotiations are to be invariably conducted in case of single tender situations including PAC cases. IFA advised to take necessary action.

Subsequently, IFA received the proposal with the recommendation of NLC III. From the notings placed on the file, IFA observed that a PNC at NLC III level was held on 03.5.2012. The firm M/s Vizag filters (P) Ltd offered discount on basic cost reducing unit price to Rs 755.70/- filter element, thereby the proposal amount came down from Rs 24.09 lakhs to Rs 23.45 lakhs. This NLC III meeting was held to deliberate the revised offer submitted by the firm without associating the rep of IFA.

Since in the above case benchmarking and negotiations were not carried out duly associating the rep of IFA as per para 4.13.3, 4.13.4, 13.3.6 and 13.3.7 of DPM-2009 and NLC III meeting was carried out without associating the rep of IFA, the matter was taken up demiofficially with CSO (P&A) vide DO letter dated 08.11.2012 by the IFA.

Thereafter, a PNC was convened again on 10.1.2013 duly associating the IFA Rep wherein the firm provided further discount of Rs 11.45/- filter (inclusive of taxes) reducing the unit price to Rs 744.25/- filter element, thereby, bringing the financial implication of the proposal further came down from Rs 23.45 lakhs to Rs 23.10 lakhs.

Hence, as a result of financial advice rendered by IFA at post AON stage and FC stage, the expenditure was brought down from Rs 40.83 lakhs to Rs 23.10 lakhs (i.e. by 43.42%) and resulting into saving to the tune of Rs 17.72 lakhs.

2. Proposal for the sanction of the project "Development of Unexploded Ordnance Handling Robot"

IFA (R&D) received a proposal for the sanction of the project "Development of Unexploded Ordnance Handling Robot" at an estimated cost of Rs 2350 lakhs (900 lakh) with the PDC of 36 months. The cost of the project included procurement of various equipments at the estimated cost of Rs 1520 lakh (900 lakh). IFA scrutinized the proposal and observed that the cost of following items has been overestimated:-

Sl No.	Name of the item	Estimate	Cost on the basis of BQ	Excess estimation
1	Drive by wire conversion	150 lakh	119.67 lakh	30.33 lakh
2	Abrasive water jet cutting machine (Ex-import)	450 lakh	418.16 lakh	31.83 lakh
3	Communication equipment	150 lakh	74.50 lakh	75.50 lakh
			Total	137.66 lakh

The case file was returned with the above observations to the executive authorities. The contention of the IFA was finally agreed to by the executive authorities and the case was accordingly concurred at the cost of Rs 2200 lakhs as against proposed amount of Rs 2350 lakhs by restricting the cost of equipment. As a result, a saving to the tune of Rs 150 lakhs was achieved.

3. Proposal for the procurement of Ground Telemetry System Receiving System (GTRS) complete with accessories

IFA (R&D) received a proposal for the procurement of Ground Telemetry System Receiving System (GTRS) complete with accessories and essential spares- Qty 02 by PXE Balasore at an estimated cost of Rs 900 lakhs in the month of May 2013.

IFA scrutinized the proposal and observed that the similar system i.e. Block House Telemetry System, Qty-02 was sanctioned to another Lab (ITR) at a negotiated cost of Rs 683.71 lakhs in the year 2012 for the procurement on global tender basis from another firm. The specifications of the item procured by ITR Chandipur were called for and matched with the specification of current proposal. It was also found that the sets of hardwares were exactly same except some minor description of items.

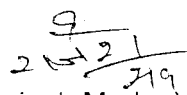
In view of the above, the proposal was concurred at an estimated cost of Rs 683.71 lakhs as against proposed amount of Rs 900 lakhs which was accepted by the CFA. As a result, a saving to the tune of Rs 216.29 lakhs has been achieved.

4. Proposal for concurrence for the procurement of "Production and supply of 70 KW MG-Ag Cl sea water activated reserve primary batteries"

IFA (R&D) received a proposal for concurrence for the procurement of "Production and supply of 70 KW MG-AgCl sea water activated reserve primary batteries" by NSTL Visakhapatnam at an enhanced cost of Rs 1910 lakhs. The main raw material used in the production of these batteries was silver.

During scrutiny of the proposal, it was observed that the cost of silver taken in the cost estimation by the Lab was Rs 63,000/- per kg (as on 01.10.12). However, internet search and newspaper survey revealed that the present cost of silver was hovering around Rs 45,000/- per kg. The cost of the proposal was recalculated taking into account the silver rate as Rs 45,000/- per kg and it was found that there is an over-estimation of Rs 310 lakhs.

IFA recommended that CFA may approve Rs 1600 lakhs at this stage which may be reviewed if required at all later stages after PNC. The recommendation was agreed to by the CFA and accordingly, the proposal was sanctioned at AON & FC stage at a cost of Rs 1600 lakhs as against proposed amount of Rs 1910 lakhs. As a result, a saving to the tune of Rs 310 lakhs was accrued to the government.


(Rajesh Madan)
Sr Accounts Officer