TWENTY SECOND REPORT

PUBLIC ACCOUNTS COMMITTEE
(2000-2001)

(THIRTEENTH LOK SABHA)

(i) DELAY IN OPERATIONAL DEPLOYMENT OF IMPORTED SYSTEMS

(ii) DELAY IN DEVELOPMENT-CUM-PRODUCTION OF A SYSTEM

MINISTRY OF DEFENCE

Presented to Lok Sabha on .....

Laid in Rajya Sabha on .....

LOK SABHA SECRETARIAT
NEW DELHI

May, 2001/Vaisakha, 1923 (SAKA)

CORRIEGENDA TO THE TWENTY-SECOND REPORT OF PUBLIC ACCOUNTS COMMITTEE (13TH LOK SABHA)

PAGE	PARA	LINE	FOR	READ
2	1.2.1	3	reserved	reversed
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24	7.16	10	on	of

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CONTENTS

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(2000-2001)

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* Elected *w.e.f.* 2 August, 2000 *vice* Shri Rajesh Pilot expired.

** Elected *w.e.f.* 25 August, 2000 *vice* Shri Vayalar Ravi ceased to be a Member of Committee consequent upon his retirement from Rajya Sabha on 1 July, 2000.

INTRODUCTION

I, the Chairman, Public Accounts Committee having been authorised by the Committee, do present on their behalf, this Twenty Second Report (13th Lok Sabha) on Paragraphs 21 and 39 of the Report of Comptroller and Auditor General of India for the year ended 31 March 1995, No. 9 of 1996, Union Government, Defence Services (Air Force and Navy) relating to "Delay in operational deployment of imported systems" and "Delay in development-cum-production of a system".

2. The Report of the Comptroller and Auditor General of India for the year ended 31 March 1995, No. 9 of 1996, Union Government, Defence Services (Air Force and Navy) was laid on the Table of the House on 8th March, 1996.

3. The Committee examined various dimensions of the subject on the basis of the observations of Audit as contained in the C&AG Report No. 9 of 1996 and the information furnished by the Ministry thereon. The Committee also took oral evidence of the representatives of the Ministry of Defence, Naval Headquarters, Defence Research and Development Organisation (DRDO) and Bharat Electronics Limited (BEL) on 21 August, 1997. The Committee (2000-2001) considered finalised and adopted this Report at their sitting held on 26th April, 2001. Minutes of the sitting form Part-II of the Report.

4. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in Appendix-II to the Report.

5. The Committee would like to express their thanks of the Public Accounts Committee (1997-98) for taking evidence on the Audit paragraphs 21 and 39 and obtaining information thereon.

6. The Committee would like to express their thanks to the Officers of the Ministry of Defence Naval Headquarters, Defence Research and Development Organisation (DRDO) and Bharat Electronics Limited (BEL) for the cooperation extended by them in furnishing information and tendering evidence before the Committee.

7. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of Comptroller & Auditor General of India.

NEW DELHI;
4 *May*, 2001
14 *Vaisakha*, 1923 *(Saka)*

NARAYAN DATT TIWARI,
Chairman,
Public Accounts Committee.

REPORT

This Report is based on Paragraphs 21 and 39 of the Report of Comptroller and Auditor General of India for the period ended 31 March 1995, No. 9 of 1996, Union Government, Defence Services (Air Force and Navy) relating to "Delay in operational deployment of imported systems" and "Delay in development-cum-production of a system". The Audit Paragraphs are appended to this Report as Appendix-I.

1. Introductory

1.1 Elements of Electronic Warfare System (EWS)

1.1.1 Electronic Warfare involves the use of electromagnetic energy to exploit, reduce and prevent the hostile use of electromagnetic spectrum of energy. Modern days Electronic Warfare System (EWS) consists of three distinct but interdependent elements *viz.*, (i) Electronic Support Measure (ESM); (ii) Electronic Counter Measure (ECM); and (iii) Electronic Counter—Counter Measure (ECCM). An ESM system intercepts radar emission, measures its parameters, identifies the radar type and with the help of a radar library, identifies the threats from enemy radars. An ECM system neutralises the effectiveness of the enemy's radars. The ECCM facilities are anti-ESM and anti-ECM facilities that a radar may have. An integrated Electronic Warfare Systems (EWS) comprises of ESM and ECM systems. The effective life-span of an EW system is about twelve and half years. Any delay in installation of an EW system on the ship reduces the exploitable life of the system by the period of delay.

1.1.2 Modern Warfare is mainly directed and controlled by means of radar sensors and radar guided weapon systems. The Naval fleet depends mainly on its radar equipments to detect and locate the enemy positions. The role of Electronic Warfare in the modern era has expanded to the point of dominance and has become a crucial deciding factor for the success in any combat. With the increasingly complex generations of military weapon system, the Electronic Warfare techniques have become essential ingredient in the inventory of Armed Forces.

1.2 Audit observation in brief

1.2.1 According to Audit, the Government had entered into two contracts at different points of time with a foreign firm 'A' for supply of 5 EW systems to meet operational requirement of Navy. The foreign supplier not only delayed the delivery of systems but also supplied defective systems. The firm took a long time to upgrade the systems and make them operational. The Naval Authorities failed to detect the deficiencies and accepted the systems. In view of delay in delivery, poor

material state of the systems and uncooperative attitude of the firm, Naval Headquarters (NHQ) had recommended in January 1990 for withholding payments to the firm but reserved their stand in September 1991. The Ministry pointed out in 1994 that loss of interest on advance payments made to the firm amounted to Rs. 10 crore, that the imported systems being of seventies vintage were no more relevant, that NHQ had agreed to waive off penalties without the consent of the Ministry and that spares valuing Rs. 9.54 lakhs had not been returned by the firm. The Audit pointed out that all the systems imported were of seventies vintage for which a total payment of Rs. 25.92 crore had been made and the last system for which Rs. 1.47 crore was paid as advance in June 1986 was yet to be supplied.

1.2.2 The Audit also pointed out that there were slippages in indigenous production schedule of EW system mainly on account of technology transfer. The systems installed required certain modifications. The Audit pointed out that even after incurring an expenditure of Rs. 4.39 crore on development and Rs. 17.93 crore on procurement of the systems, the urgent requirement of the Navy for which the development of the system was ordered was yet to be satisfied as of November 1995.

2. Issues before the Committee

2.1 The following two issues based on the Audit Paragraphs were to be examined by the Committee:—

(a) Issues related to import of EW Systems (Paragraph 21 of C&AG's Report No. 9 of 1996)

(b) Issues related to development-cum-production of indigenous EW Systems (Paragraph 39 of C&AG's Report No. 9 of 1996)

2.2 The Committee examined various dimensions of the subject and also took oral evidence of the representatives of Ministry of Defence, Naval Headquarters, Defence Research and Development Organisation (DRDO) and Bharat Electronics Limited (BEL) on 21 August 1997. On examination of the subject, several disquieting features came to the notice of the Committee which are dealt with in succeeding paragraphs.

3. Induction of EW system in Indian Navy—Need for import vis-a-vis indigenous development

3.1 The operational requirement of Navy is based on assessment of existing and emerging threat scenario and an appreciation of likely technological advancement trends with respect to the adversaries. The Naval Headquarter based on their threat-assessment had projected an immediate requirement of three Electronic Warfare System (EWS) for fitment in the first three ships of "Project-A". On being asked to indicate the point of time when the need was felt for induction of electronic

warfare system in Indian Navy, the Ministry replied in writing:—

> "It was the post 71 war era that led to escalation in degree of sophistication of EW Systems in our area of interest which compelled us to initiate EW modernisation programme."

3.2 The Defence Reserarch and Development Organisation (DRDO) had offered that the requirement of Navy could be met through indigenous development at Defence Electronics Research Laboratory (DERL). The DERL had given a technical presentation of the proposed system on 19 September 1977 and indicated that the indigenously developed EW system would meet the Navy's requirements. The Technical Committee constituted at the behest of Chief of Naval Staff (CNS) while approving the proposal made by the DERL for "Project-A" with the delivery schedule of July 81, July 82 and July 83 for I, II &·III systems respectively had suggested for review of the project in January 1979. The proposal was discussed in the office of CNS on 10 January 1978 where the decision was taken to clear the "Project A" and review the progress in January 1979. The Ministry stated in written reply:—

> "The progress of "Project-A" was to be reviewed in January, 1979 and decision regarding import was to be accordingly taking thereafter."

3.3 However, a meeting was called on 9 April 1978 where the delivery schedule of July 1981 fixed for the first system was preponed to Nov 1980. Another meeting was held on 23 June 1978 where it was clearly mentioned by the Director of Naval Signals (DNS) that in case it was not possible for DERL to make available the system by the due date, Navy would be required to select and import an EW package for the first ship. The Directorate of Electronics on 5 July 1978 had criticised the premature review of the project and had stayed the decision regarding import of EW package. In a subsequent meeting on 4 August 1978, the DNS mentioned that there was not much time and the import of equipment should be finalised in the next three months or so. Lastly, in a meeting held on 17 August 1978, Director, DERL was advised to supply EW system for the first ship of "Project-A" by resorting to import of necessary sub-systems and developing the rest indigenously.

3.4 When the Committee enquired as to what was the target date fixed when Navy had asked DRDO to supply EW System, the representative of the Navy stated during evidence:—

> "The System was required for our ..... Frigate which was to be commissioned between 1983 and 1985."

3.5 The records furnished by the Ministry indicated that the original schedules drawn for delivery of EW System were as under:—

I System	July 1981
II System	July 1982
III System	July 1983

3.6 The Committee found that a letter of intent was placed by Mazgaon Dock Limited (MDL) for two systems in May 1978 with a proviso of additional third system on successful development, with the following delivery schedules:—

I System	Oct 80
II System	May 82
III System	Dec 83

3.7 During evidence, when the Committee pointedly asked the question as to what was the need to advance the date from 1981 to 1980 when the ship was expected to be completed sometime in 1983, the representatives of the Navy Stated:—

> "It takes eight months for installation of equipment on a ship. The equipment has to be received much before installation."

3.8 Again on a specific query by the Committee as to why such a pressure was put on the Research Department to complete it by 1981 when the Frigate was expected in 1983, the representative of the Navy stated:—

> "..... the whole development process takes many years."

3.9 In reply to a question asked as to whether the Navy was in a position to meet effectively the enemy's threat even without depending upon the imported EWS, the Ministry stated in writing:—

> "Yes, there were other EW Systems, which were available in the inventory and were deployed to cover the short falls in the interim period."

4. Issues related to import of EW Systems

4.1 Import of Sub-systems

4.1.1 The records revealed that in a meeting held on 17 August 1978, the Director, DERL had stated that though it was not possible to deliver the 1st System by October 1980 but if it got nine months' more time beyond October 1980, the DERL would deliver the 1st equipment by July 1981 and for this purpose all efforts would be made and necessary engineers and scientists would be positioned for helping out the installation. The Director, DERL had also suggested that threre was no need to import any one of the complete EW system but a joint exercise with the Navy could be held so as to finalise the best sub-systems from the various foreign EW equipments for integration to meet the requirement of the EW system for the first ship of "Project-A". Concluding the discussion, Scientific Advisory (SA) to Raksha Mantra (RM) had opined that import of complete system should be avoided as far as possible and dependence should be more and more upon our own indigenous efforts. He had advised Director, DERL to supply EW system for the first ship of "Project-A" by resorting to import of necessary sub-systems and developing the rest indigenously.

4.1.2 Responding to a query of the Committee, the Ministry stated in writing:—

> "A high level team was sent abroad in November/December, 1978 to evaluate the systems by European Manufacturers in accordance with the Navy's requirements. This team recommended system offered by the foreign firm 'A'."

4.1.3 The Committee desired to know as to what prompted the team to recommend for import of the whole system rather than the import of sub-systems which could have saved precious foreign exchange, the Ministry in their post-evidence information stated:—

> "Considering the time availability and the expertise needed to be developed, the import of whole system rather than sub-systems was considered as a better option."

4.1.4 On being enquired by the Committee as to what were the conditions which compelled the Government to agree to go in for import of the whole system that also five in number discarding the initial proposal for import of sub-systems, the Ministry stated:—

> "The indigenous Project had slipped considerably and import was the viable option to bridge the gap."

4.1.5 But while replying to another question relating to entrusting to the Lab the development of indigenous EW system, the Ministry stated:—

> "The case was discussed at different levels and was sanctioned in May 1979 after obtaining all requisite approvals."

4.2 Selection of the foreign firm

4.2.1 To a question as to what steps were taken by the Ministry of identify a foreign supplier for supply of EW System to Navy, the Ministry in a note replied:—

> "A high level technical team was tasked to assess and identify a foreign supplier for supply of EW sub-systems/system."

4.2.2 During evidence before the Committee, the Defence Secretary however deposed:—

> "..... it was decided that we would get one system which was available in the market. So tenders were floated; companies were contacted and finally one ..... Company was identified."

4.2.3 But in response to a post-evidence question as to whether global tenders were invited and if not what were the reasons therefor, the Ministry stated:—

> "No, EW system and technology being a closed door military technology of sensitive nature, global tenders are not resorted to."

4.2.4 To a pointed question by the Committee as to how did it happen that the foreign firm "A" was selected, the Defence Secretary categorically stated during evidence:—

"The tenders were floated."

4.2.5 The Committee enquired as to whether it was a fact that the foreign firm "A" had evinced keen interest in the supply/development of the system for Indian Navy even before the decision to induct EWS was taken and if so to indicate the period and circumstances in which they had expressed their interest in this regard. The Ministry in a note replied:—

"There is no known record of such proposition by the firm."

4.2.6 Replying to a question as to the earlier track records of the firm "A" which were considered by the Govt. of India, the Ministry in a note stated:

"The salient features of the core competence of firm "A" were it being the original equipment manufacturer for various EW, Avionics and computer action information systems conforming to rigid military specifications."

4.3 Execution of contracts with foreign firm "A"

4.3.1 According to Audit, the Government had concluded a contract with the foreign firm "A" in June 1979 for supply of one Electronic Warfare System, and placed another order in October 1980 for supply of one more of the same system.

4.3.2 The Contract No. X/79 was signed on 18 June 1979 initially for procurement of one system. Addendum I to the contract was signed on 18 October 1980 for placing order for procurement of second system from the same firm.

4.3.3 On being asked as to why it was not considered prudent to watch the operational viability of the first EW System before placing order for the second one with the same firm, the Ministry replied:—

"The decision was taken at an appropriate level as there was no indigenous system likely to be available on time for second ship."

4.3.4 Audit further pointed out that without proving the two systems already installed in 1983 and 1985 as to their satisfactory performance, Government placed orders for supply of three more systems in June 1985 on Firm "A". The records indicated that the second Contract No. Y/85 was signed on 1 June 1985 with the same firm for procurement of three more systems.

4.3.5 Replying to a question of the Committee as to whether the delay in installation/effective functioning of the systems had not posed threat to the security of the nation in view of the potential challenge from enemy countries during that period, the Ministry stated:—

"Indian Navy had other Electronic Warfare equipments in its inventory to cover these gaps to an adequate level. The tactical planning and operation flexibility were used to optimise the deployment of the existing EW resources in the Navy to mitigate any emerging threat from adversaries."

4.4 Delay in delivery as well as installation of the Systems

4.4.1 From the records made available by the Ministry, the Committee found that the scheduled dates of delivery as agreed to in both the contracts, the dates of actual delivery and consequent period of delay were as under:—

Systems	Scheduled Date of Delivery	Date of actual Delivery	Period of delay in delivery
X1	August 1981	December 1980	
X2	July 1983	May 1982	
Y1	September 1986*	July 1987	10 months
Y2	June 1987#	August 1988 (only partial supply)	1 year 2 months
Y3	December 1987 $	Not supplied	

* 15 months from the date of contract
\# 24 months from the date of contract
$ 30 months from the date of contract

4.4.2 Regarding delay in installation, Audit had pointed out that the systems received in December 1980 and May 1982 were installed on Naval ships 'P' and 'Q' in November 1983 and November 1985 respectively. Further, two systems were received in July 1987 and August 1988 but were installed on Naval ships 'R' and 'S' in December 1987 and May 1995 respectively.

4.4.3 According to the information supplied by the Ministry, the actual dates on which the particular Naval ships earmarked for installation of a particular imported EW systems became ready and available for the purpose and the dates of actual installation of EWS thereon are given below:—

Contract	Imported EW System	Date of Contracted delivery of the system	Date of actual delivery	Date of availability of ship	Date of actual installation on ship
X/79	X1	August 1981	December 1980	Available	March-November 1983
	X2	July 1983	May 1982	do-	March 1984-November 1985
Y/85	Y1	September 1986	July 1987	-do-	May 1989
	Y2	June 1987	August 1988	-do-	Jan-April 1995 (on 2nd ship)
	Y3	December 1987	Not supplied	N.A.	N.A.

4.4.4 The Ministry stated in a note:

> "First ship installation was undertaken soon on receipt. The same was expected for balance ships. However, ship-building delays necessitated delay in installation of these sensitive electronic equipment."

4.4.5 To a specific question as to whether the delay in installation of EW system on the ship affected or reduced its life-span, the Ministry replied:

> "Yes, a delay in installation will reduce the exploitable life of an EW system by the period of delay."

4.4.6 The Committee desired to know as to what was the hurry for rushing to place orders for import when the Navy took three years to install them. The Ministry replied:—

> "Delay in installation are mainly attributable to delayed ship building activities."

4.5 Major Deficiencies in the Systems and delay in modifications/ upgradations by the vendor

4.5.1 As per the Audit paragraph, Factory Acceptance Tests (FATs) as stipulated in the contracts were carried out before delivery of the systems but no defects were noticed. However, after installation, it was found that the systems had major defects and had to be upgraded to achieve the contracted performance level.

4.5.2 There were three standard levels of trials of the systems as under:—

(a) Factory Acceptance Tests (FATs)—At factory premises under laboratory conditions
(b) Harbour Acceptance Tests (HATs)—In harbour
(c) Sea Acceptance Tests (SATs)—At sea

4.5.3 The foreign firm had prescribed the conditions in which FATs were to be carried out. The firm's proposal was vetted and approved by Navy. The SATs are standard tests generated to assess the optimum operational performance of a system in actual field conditions at sea. The SATs were to be carried out in accordance with the test schedules as stipulated in the Contract. Asked whether the conditions of SATs were devised by the vendor or by the Government of India, the Ministry stated that "the firm's proposed trial schedule is vetted and approved by NHQ" instead of replying about the 'trial conditions'.

4.5.4 Asked whether the atmospheric and laboratory conditions in which FATs were carried out truly represented those of the place of actual installation, the Ministry stated in writing:

"No"

4.5.5 In response to a question as to who had approved the systems as snag-free and fit for installation after carrying out FATs, the Ministry stated:—

> "FATs team after actually conduting the tests and verifying that the results met the technical parameter given in the schedule."

4.5.6 The Committee desired to know whether any efforts were made to reconcile the conditions of SATs with those of FATs. The Ministry categorically stated:

> "No."

4.5.7 Replying to another question, the Ministry stated:

> "The actual conditions prevalent on board a platform with respect to the atmospherics, environment and operational envelope can neither be achieved nor completely simulated economically in the Laboratory."

4.5.8 During evidence before the Committee, the Defence Secretary *inter alia* deposed:

> ".....the sea acceptance trial took four to five years because the system was in operation but was not meeting all the parameters."

4.5.9 In response to another question, the Defence Secretary stated:

> "It does not work up to the specification laid down by the Navy.'

4.5.10 He further stated:

> "It does not work to the same parameters as were laid down.'

4.5.11 Elaborating the defects, the Defence Secretary mentioned:

> "It could not meet the distance and the disturbance which was occurring at sea, which they rectified."

4.5.12 The respresentative of the Navy stated during the evidence:—

> "If I may explain what it could not do, it is that it could not make all those intelligent guesses that the computers were supposed to be making. That is, our operators had to do considerable amount of interpretation of the data. The modern systems are supposed to do all this for you that so and so ship belongs to so and so country and things like that. -----It is true that in case there is conflict, we will have to use the system with these constraints."

4.5.13 The systems were stated to have cleared the FATs. However, on installation, major defects were noticed in all the systems. The vendors took long time to remove these deficiencies. Major deficiencies noticed

during SATs, the dates on which these deficiencies were brought to the notice of the vendor and also the dates on which the vendor removed these deficiencies are given as under:—

Sl. No.	Imported System	Date of HATs/ SATs	Major deficiencies noticed during SATs	Date on which vendor was informed of these deficiencies	Date on which the vendor removed the deficiencies
1.	X1	July, 1985	(i) ESM Antenna damaged (ii) Both ECM Antenna corroded (iii) NDC-160 Processor required upgradation (iv) EDC of Repairs of RQM Antenna not given	July 1985	May, 1991
2.	X2	May, 1986	(i) ESM Antenna damaged (ii) Both ECM Antenna corroded (iii) NDC-160 Processor required upgradation	May, 1986	February, 1991
3.	Y1	May and October, 1989 January, 1990	—	1989	October, 1990
4.	Y2	—	—	—	September 1995
5.	Y3	—	Not supplied	—	—

4.5.14 From the information furnished by the Ministry, the Committee found that there was a long gap between the date of installation of systems on the naval ships and that of operation of the systems as the following table indicates:

System	Date of installation of system on Naval Ships	Date of proving the system by the foreign firm after installation on Naval Ships
X1	March-November 1983	May 1991
X2	March 1984-November 1985	February 1991
Y1	May 1989	October 1990
Y2	January-April 1995	September 1995
Y3	N.A.	N.A.

4.5.15 It is apparent from the preceding table that the foreign firm took abnormally long time to remove the defects and prove the system. In this context, the Committee desired to know as to why the firm had not removed the defects of the systems immediately. The Ministry replied in a note:

"During the period 1986—90, the firm's response was tardy."

4.5.16 In reply to a question as to whether the time taken in removal of the deficiencies and upgradation of the systems to bring them to the contracted performance level did not reduce the active life-span of the system, the Ministry categatorically stated:

"Yes.

4.5.17 The information compiled and restructured by the Committee indicated the reduced life-span of the systems, as under:—

Sl. No.	Sys-tems	Date of Production (calculated from the date of FATs)	Total life span as projected at the time of production	Date of effective & successful commissioning on Naval ships	Date upto which the system functioned effectively	Date of expiry of the projected life span of the system	Period available for effective use instead of full life of 12½ yrs. (approx.)
	X1	August, 1982	12½ yrs.	May, 1991	Being operationally exploited	February 1995	4 yrs.
	X2	September, 1983	12½ yrs.	February, 1991	-do-	March, 1996	5 yrs.
3.	Y1	March 1987	12½ yrs.	October, 1990	-do-	September 1999	9 yrs.
	Y2	June 1988	12½ yrs.	September 1995	-do-	March 2001	5½ yrs.
5.	Y3			System not supplied	N.A.	N.A.	N.A.

4.5.18 The Ministry informed at post-evidence stage:

"In case of reduced utility, Art 14.5 of the contract stipulates that the reduction in contract price is to be mutually agreed to by the parties."

4.6 Cost of the Contracts

4.6.1 At the instance of the Committee, the Ministry furnished the information regarding the total amounts for which contracts for import of

5 EW systems (2 against contract 'X' and 3 against contract 'Y') were entered into with the firm "A" and the amounts actually paid to the firm, as under:—

	Amount of Contract	Amount paid
Contract "X"		
System-I	US $ 3025888.00	US $ 41698110.19
System-II	US $ 2218236.00	US $ 44530158.66
Contract 'Y'	US $ 18235515.80 (for 3 Systems)	US $ 11316878.64 (for 2 systems)

4.6.2 The Contract "X" was operated by DLRL and was not a fixed value contract. Escalation factor upto 70% cost of the basic system was leviable in this contract.

4.7 Review of the Contract (Contractual Performance - Foreclosure and Cancellation)

4.7.1 The Committee desired to know as to whether the Ministry had contemplated while entering into the contract for import of EW system, to make a review of the contract at a later date to decide the further continuance of the contract in view of the (a) indigenous development of EW System; and (b) performance of the vendor. The Ministry, however, furnished a cryptic reply as under:

> "The decision to go in for limited imports of 5 systems was in consultation with all agencies concerned keeping in view the availability of indigenous options."

4.7.2 In response to a question as to what were the specific areas where the firm had failed to fulfill its contractual obligations, the Ministry stated that the firm mainly failed to fulfill its contractual obligations in following areas:—

(i) Delayed delivery; and
(ii) Delayed proving of system

4.7.3 The Ministry did not furnish any relevant information to the specific question as to what efforts were made by them to persuade the vendor to fulfill its contractual obligations.

4.7.4 To a specific query of the Committee as to whether there was any provision in the contract to cancel it in case of slippage in the delivery of EW systems, the Ministry replied:

> "Yes, *vide* Art 14.1.1 of the contract."

4.7.5 The provisions made in the contract for dissolution/foreclosure of the contract were as under:-

> *"14.1— The Purchaser shall have the right to dissolve this Contract in part or in total, in any of the following cases:—*

14.1.1. The delivery of the equipment is delayed, for causes not attributable to Force Majeure, by more than six (6) months."

xx xx xx

14.1.4 The delivery of the equipment is delayed, due to causes of Force Majeure, by more than 12 months."

4.7.6 The Committee enquired as to whether the Ministry at any point of time had considered for foreclosure of the contract and if so, what were the reasons therefor and what was the final decision. The Ministry stated in a written reply that foreclosure of contract was considered in February 1990 after the firm's tardy performance during the period 1986—90. However, during a meeting held on 28 February 1990, it was decided by DS(N)/MOD to keep the contract alive.

4.8 *Technological obsolescence and impact on Defence preparedness*

4.8.1 The orders for import of the first two EW systems were placed in 1979 and 1980 to meet the then operational requirement of the Navy. Sea Acceptance Tests were successfully performed on these systems only in 1991. According to Audit, the Ministry of Defence had observed in July 1994 that the imported systems being of seventies vintage were no more relevant.

4.8.2 The Defence Secretary deposed before the Committee during evidence:

"This system — bought from firm "A" is of '70s technology. There has been rapid development."

4.8.3 The Ministry was asked to indicate as to whether the delay in installation (effective functioning) of systems did not pose threat to the security of the nation in view of the potential challenge from enemy countries during that period. The Ministry informed the Committee that Indian Navy had other Electronic Warfare Equipments in its inventory to cover these gaps to an adequate level. The Ministry categorically admitted that the Navy was in a position to meet effectively the enemy's threat even without depending upon the imported EWS.

5. **Issues related to development-cum-production of indigenous EW System**

5.1 Delay in Development of indigenous Electronic Warfare System

5.1.1 Audit had pointed out that preliminary work for development of an Electronic Warfare System (EWS) to meet urgent operational requirement of the Navy was completed by a Defence Research and Development Laboratory (Lab) in May 1978 at a cost of Rs. 94.50 lakh. Thereafter, Ministry of Defence entrusted to the Lab in May 1979 the development of the system to be completed by May 1982. The actual cost, on completion of the project, worked out to Rs. 3.44 crore.

5.1.2 Informing the Committee about the circumstances in which the necessity was felt to develop with indigenous technology an Electronic Warfare System (EWS) for Navy, the Ministry stated in a note:

> *"EWS being primarily a closed door military technology, reaching towards self reliance in this field was imperative."*

5.1.3 The estimates and projections worked out by DLRL in March 1978 regarding indigenous development of EWS at the time of finalising such proposal for the first time were as under:—

Development Costs	Rs. 298.76 lakh
Costs for two Production systems	Rs. 2.00 crore
Delivery	July 1981 and July 1982

5.1.4 The Committee was informed that the project was sanctioned in May 1979 as under:—

Equipment/material	Rs. 3.63 crore
Addl. manpower for 3 ½ years	Rs. 0.58 crore
Training & Travels in India/Abroad	Rs. 0.07 crore

5.1.9 Responding to another question, the Ministry stated:

> "A development project was taken up by DLRL in 1979. The scope of sanction was to pay costs of import of first system from firm "A". The balance of sanctioned funds was so small that no development work could be started till enhanced sanctions were given in October 1981. The real development commenced from January 1982 and was completed in October, 1986."

5.1.10 The Lab was given three years' period to complete the development of the system. On being asked by the Committee as to why three years time was given to Lab for development of the system, the Ministry replied cryptically;

> "Since the requirement of delivery was preponed and the indigenously produced equipment quantity was reduced to one, the project was estimated to be completed in three and half years."

5.2 Evaluation of the model developed by DLRL

5.2.1 The model developed by DLRL was installed on-board the ship and the performance was evaluated from October 1986 to July 1988 i.e. for a period of about 2 years.

5.2.2 On being asked as to whether the time taken for evaluation i.e. 2 years period was the normal period consumed in such trials, the Ministry replied that this kind of a time, for the first of the class, was reasonable considering actual availability of ship, consorts and targets. The Ministry further mentioned that no exact time-frame can be set aside *a priori* for such trials.

5.3 *Delay in production of EW System*

5.3.1 Audit had pointed out that in September 1983, the Ministry placed a letter of intent on a Public Sector Undertaking (PSU) for manufacture of five systems by November 1986 on the basis of the specifications supplied by the Lab. Later, firm orders for manufacture of six such systems at a cost of Rs. 21.09 crores were placed on the PSU between July 1985 and March 1986 but there were slippages in production schedule mainly on account of technology transfer.

5.3.2 In this context, the Committee desired to know the time schedule originally drawn up for indigenous development and supply of the EW system and also the dates of actual delivery of EW systems by DLRL. The Ministry intimated in writing:

> "The first indigenously developed system was required to be delivered by DLRL by Dec. 82. It was actually delivered in Oct. 86. The reasons for the delay have been non-availability of funds and complexity of the system being developed for the first time."

5.3.3 To a specific question of the Committee as to why the first production model was delivered in February 1990 i.e. after a period of

approximately 4 years from the scheduled time, the Ministry stated in a note:

> "The firm order was placed only in 1985, therefore procurement of components could only start after that."

5.3.4 Asked as to what steps were taken for ensuring the supply of the systems within the prescribed time-schedule, the Ministry informed:

> "A dedicated project team was operating at DLRL to interact with BEL and do the Technology Transfer. In addition, DLRL undertook the responsibility for in-house development of certain critical components to maintain the production schedule."

5.4 *Deficienies noticed in indigenous EW system after installations*

5.4.1 The Ministry had intimated that the first production model which was delivered in February 1990 was installed by BEL on the ship and offered for Harbour Acceptance Tests (HATs) and Sea Acceptance Tests (SATs) in November 1991. However, certain improvements in performance were still needed. Subsequently, the DLRL scientists worked on the system and made it operational in July 1992. SATs were conducted successfully in July 1992 and Navy cleared the system for exploitation.

5.4.2 Responding to the query of the Committee as to why it took additional two and a half years' period to make the system operational even after its delivery. The Ministry replied in note:

> "After the system is delivered, it is installed on board the platform which is a time consuming activity for a large system of this complexity and is performed when the platform is undergoing refit. The installation called for major modification to the ship structures like creation of Jammer compartment on the mast, pedestal for jammer etc. which were carried out by Navy. These are time consuming activities.The installation itself therefore took majority of time that is till November 1991."

5.4.3. Audit pointed out that the system after installation had failed in Sea Acceptance Trials necessitating certain modifications. The Committee desired to know the reasons for acceptance of defective systems from the Bharat Electronics Ltd. (BEL). The Ministry replied:

> "The systems were accepted by Directorate General of Quality Assurance (DGQA) after successful FATs at the premises of Bharat Electronics Limited (BEL). However, after installation on board ship, the platfrom specific problems were experienced."

5.5. *Commissioning of indigenous systems*

5.5.1 The Ministry did not furnish the dates on which the ships had actually become available for the purpose of installation and commissioning of indigenous EW systems. They however, informed that

the ships were made available in the forthcoming refit schedule, after the receipt of equipment.

5.5.2 The Committee desired to know the dates on which the actual commissioning of the indigenous EW systems took place on all the ships. The Ministry, however, did not furnish these dates but stated that ESM system was satisfactorily proven at sea, post-modifications, in 1995. ECM system had been satisfactorily proven at sea in May 1997.

6. Other issues

6.1. Delay in conducting special audit, inquiry by Economic Investigation Bureau and fixation of accountability

6.1.1 Audit had pointed out that the Ministry had decided to conduct a special internal audit and fix responsibility in 1994. However, the Ministry ordered for special audit on 8 July 1996 and the report was submitted on 22 June 1997. In this context, the Committee enquired as to why the Ministry of Defence did not order for internal audit till January 1996 though the decision for special internal audit had already been taken way back in 1994. The Ministry stated in a written reply:

> "The special internal audit was ordered to take the stock of situation when conditions were favourable from operational as well as other technical aspects. The alternate Indian built systems were commissioned and proven by that time thereby giving us choice to explore the avenues to foreclose the contract. This was awaiting appropriate level approval."

6.1.2 On being asked as to what were the findings of the special audit, the Ministry stated:

> "The Special Audit Report mainly corroborated the known facts regarding delayed deliveries, non-return of certain graded/paired spares and, delayed proving of the systems at sea."

6.1.3 As regards inquiry by Economic Investigation Bureau, the Ministry in a written reply admitted that certain files related to this case were sent to/taken by the Economic Investigation Bureau, but the details of the same were not available in the records of the Ministry.

6.1.4 The Committee desired to know the action taken against the officers found responsible for the various lapses/deficiencies in this case. The Ministry in a written reply informed that no individual accountability has been established by NHQ.

6.2. Role of the Ministry/Naval Authorities and remedial/corrective measures taken

6.2.1 According to Audit, Naval Headquarters had recommended to the Ministry of Defence in January 1990 itself for withholding payments to the firm but reversed their stand in September 1991. Also, the Naval HQ had agreed to waive off penalties (Rs. 3.28 crores approximately) leviable

under the contract for delayed delivery without the consent of the Ministry.

6.2.2 On being pointed out that the Naval Headquarters had agreed to waive off the penalties leviable under the contract for delayed deliveries, without the consent of the Ministry, the Defence Secretary stated during evidence:

> "----------The authority to waive is the Ministry and not the Naval Headquarters----------They can not do it."

6.2.3 The Committee desired to know as to why Navy had recommended to Ministry of Defence in January 1990 for withholding payments to the firm. The Ministry replied that during the period 1986-90, the firm's response was tardy and therefore, NHQ had made the said proposal.

6.2.4 On being enquired as to why Navy reversed their stand in September 1991 for withholding payments to the firm when it was fully aware of the fact that the firm had defaulted on so many counts, the Ministry stated that based on directives of DS(N)/Ministry of Defence during a meeting held on 28 February 1990, the contract was kept alive.

6.2.5 To appointed question as to what was the perception of the Ministry on the role precisely exercised by the Naval authorities in the case, the Ministry stated:

> "The contract could have been monitored more effectively and this has been brought to the notice of Naval Authorities."

6.3 Slackness of the Ministry in responding to PAC and C&AG

6.3.1 It was brought to the notice of the Ministry that the response of the Ministry to draft audit paragraphs both in the instant one and other cases had been somewhat casual and the Ministry had also tried to evade a direct reply. The reply of the Ministry indicated that there was no central coordinating point in the Ministry to monitor the reply to the draft paragraphs. In this context, the Committee desired the Ministry to clarify as to why the Ministry had not responded to C&AG when the matter was referred to them in August 1995. The Ministry replied:

> "It is regretted that the reply to the draft audit paras could not be sent on time. However, due to events in the present case dating back to 1979, information gathering needed considerable time."

6.3.2 The Committee desired to know as to what remedial measures had been contemplated by the Ministry to ensure timely and effective response to Audit, the Ministry responded:

> "Regular monitoring of all cases is being undertaken to ensure timely action/response to audit paras."

6.3.3 The Committee had taken oral avidence of the representatives of the Ministry of Defence, DRDO and Navy etc. on 21 August 1997. To

elicit clarifications and information on the issues arising out of the evidence, the post-evidence questionnaire was forwarded to the Defence Secretary as well as to the Secretary (Defence Research and Development) *vide* O.M. dated 3 October 1997 with a request to furnish the desired information within three months. But despite best periodic follow up by the Committee Secretariat, the Ministry of Defence did not respond favourably. The Ministry, However, submitted information, though still incomplete on many points, only after the matter was taken up with the Defence Minister.

7. Conclusions and Recommendations

7.1. The Electronic Warfare System is a most sophisticated modern technique that plays key role in the present day strategic warfare scenario. An Electronic Warfare System (EWS) consists of three interdependent elements viz. (i) Electronic Support measure (ESM), (ii) Electronic Counter Measure (ECM); and (iii) Electronic Counter—Counter Measure (ECCM). The effective life-span of an electronic equipment is considered to be about twelve and half years. Any delay in installation of an EW system on the ship reduces the exploitable life of the system by the period of delay. The import of EW system is never considered a preferable option because it always poses a possible threat of the operational characteristics being passed on to the potential adversaries by the foreign supplier. The Committee believe that in order to be successful in the area of EW techniques, it is essential that indigenous efforts are made for designing, developing and productionising of the EW system closely related to the country's operational plans and usage patterns.

7.2 The Committee observe that the Naval Headquarter based on threat assessment, had projected an immediate requirement of three EW Systems for installation on the first three ships of "Project-A" with the fitment schedule of July 1981, July 1982 and July 1983 respectively. The Dfence Research and Development Organisaiton (DRDO) had offered that the requirement of the Navy could be met through indigenous development and that they were capable of developing an EW system to meet the requirements. The Committee find that a Technical Committee had examined this proposal and a decision was taken on 10th January, 1978 to clear the "Project-A" and review the progress in January 1979. The Committee are surprised to note that contrary to the recommendation of the Technical Committee as well as the decision taken in the meeting held on 10 January, 1978 for review of the "Project-A" in January, 1979, the project was reviewed in April, 1978 itself i.e. just after three months and the delivery schedule fixed earlier was preponed to November, 1980. The Committee further observe that while placing the letter of intent, the preponed date was further advanced by one month i.e. October, 1980. The Ministry could not adduce any justification for advancement of delivery made from July 1981 to October 1980 while by their own admission made

before the Committee, the system was required for the Frigate which was to be commissioned between 1983 and 1985. The assertion made before the Committee that the Navy was in a position to meet effectively the enemy's threat even without depending upon the imported EWS renders questionable the case made out for import of EW systems in extraordinary haste. While deploring the questionable manner in which the deal was struck, and refraining from making any comment at this distant point of time, the Committee strongly feel that the whole system of projecting defence requirements of the Navy, their import and contract management warrants a thorough overhauling to ward off such incidents in future.

7.3 The Committee observe that in view of the short time frame, DLRL was advised to supply EW system for the first "Project-A" ship by resorting to import of necessary sub-systems and developing the rest indigenously. The team deputed abroad for the purpose of identifying the sub-systems expressed their favourable opinion about the system of a particular foreign firm. The Ministry failed to furnish convincing explanation as to what prompted the team to recommend import of the whole system rather than the sub-systems. What has caused serious concern to the Committee is the manner in which the foreign firm was selected for the purpose of import of the system. Having regard to the fact that further attempt was not made by the Ministry/Navy to identify other manufacturers/suppliers in the global market, proper exercise was not undertaken to verify the technical and production capabilities of the firm, efforts were not made to assess the earlier track record of the firm, measures were not taken to ensure that the specifications as well as the quality of the requisite equipments would be met by the firm and that due efforts were not made to ensure fulfilling of the contractual obligations by the firm, the Committee came to an unescapable conclusion that the selection of a particular foreign firm was almost pre-determined. The fact that the Naval authorities firmly stuck to the short time-frame given to DLRL while liberally revising the delivery schedule of the foreign vendor only reinforces their conclusion about the predetermined selection of the foreign firm. The Committee are pained to observe that the preferential treatment given and undue indulgence shown to the foreign firm over indigenous endeavours ultimately cost the exchequer dearly in terms of cost and time overrun besides impinging upon the supreme concern of national security. While expressing their grave anxiety in the matter and leaving it to the Government to explore as to whether it would be feasible to take punitive action against the guilty officials at this distant point of time; the Committee would like the Government to draw suitable lesson and to evolve foolproof institutional mechanisms for entering into and finalising the defence deals.

7.4 The Committee observe that the written replies furnished by the Ministry in regard to selection of firm and the answer given by the Defence Secretary on the same question during evidence are mutually contradictory.

While the Ministry categorically denied that any global tender were invited, the Defence Secretary clearly stated in evidence that "tenders were floated". The Committee would like the Ministry of Defence to reconcile both the averments to set the record straight so that the matter is again considered by the Committee in a factually correct perspective at a later stage.

7.5 The Committee observe that the Government had concluded a contract on 18 June 1979 initially for procurement of one System. Subsequently, order was placed for procurement of second system from the same firm on 18 October, 1980. The Ministry failed to furnish any convincing reply as to why they did not consider it prudent to watch the operational viability of the first EW System before placing order for the second one with the same firm. The Committee are, therefore, unable to comprehend as to why the Ministry went for import of two systems when it was internally persuaded not to import the complete system. The Committee would like to know precisely the considerations which weighed with the Ministry to import two systems simultaneously.

7.6 Despite being well aware of the fact that there had been abnormally long delay on the part of the firm in successful installation and commissioning of the systems contracted in 1979, failure on the part of the firm in fulfilling its contractual obligations and the need for technically advanced systems in view of the technical advancement in the field during that period, the Committee are astonished that the Ministry signed the second Contract in June 1985 for procurement of three more EW systems with the same firm. Evidently, the testimony of the Ministry of Defence that Indian Navy had other Electronic Warfare (EW) equipments in its inventory to mitigate any emerging threat from adversaries and the failure of the same firm to supply defect-free system and the abnormally long time taken by it to rectify the defective system establish beyond any shadow of doubt that the decision to award second contract to the same firm for the same system was taken under undue influence/pressure without proper scrutiny and at the grave risk to, and deteriment of, national security. While viewing with grave concern and anxiety the vulnerability of defence procurements to extraneous considerations, the Committee desire that all such strategic defence procurements should be examined threadbare invariably by a core group of users and professionals before taking a decision as to the necessity and modalities of the procurement.

7.7 The Committee observe that the foreign vendor not only badly delayed the delivery of the system but also took abnormally long time extending upto 7 years in installation of the systems on ships. The Committee wonder as to how the Ministry would reconcile their own information furnished at one place that the ships were available at the time of actual delivery and that the delay in installation was mainly attributable to delayed ships building activities. The Ministry failed to furnish any tangible ground for necessitating import when the ships, according to them, were still under the building process. While deploring the lackadaisical

assessment of import requirement, the Committee recommend the Ministry to evolve an institutionalised system so that defence requirements are projected on actual need basis and also to invariably incorporate a specific clause in all future contracts to the effect that in case of delayed delivery by the supplier, the cost of the Contract will be reduced by a certain percentage besides the option of foreclosure or rescinding of the contract.

7.8 The Committee observe that the EW systems had to successfully go through three types of tests namely, Factory Acceptance Tests(FATs), Harbour Acceptance Tests (HATs) and Sea Acceptance Tests (SATs) before proving its worthiness. The Committee were informed that the foreign supplier had prescribed the conditions in which Factory Acceptance Tests (FATs) were to be carried out. This proposal was vetted and approved by the Navy. During the FATs, reportedly no major defects were noticed and the Indian team deputed for the purpose had declared the systems snag free. The Committee, however, observe that the FATs were conducted in the conditions which had no co-relation with those of the place of actual installation. As a result, all the systems failed abysmally by developing major defects when these were installed on ships. Far from satisfied with the explanation that the atmospheric conditions on board a platform cannot be simulated in the laboratory, the Committee are rather of the firm view that had FATs been conducted with due exercise of care and caution by the Indian team, atleast the major defects would not have escaped undetected at that stage.

7.9 The Committee further observe that though the deficiencies were brought to the notice of the vendor immediately but the vendor took almost five to six years to remove the deficiencies. During this period, the systems could not be made fully operational. The inordinate delay made by the vendor in making the systems operational reduced proportionally the life span of the systems. Surprisingly, no tangible action was taken by the Ministry to pursuade the vendor to remedy the defects early. The Committee observe that the exploitable life of the Systems was virtually reduced from its normal life of twelve and half years to 4,5,9 and five and half years for systems I,II,III & IV respectively. Further, the Ministry have failed to explain as to what action was taken by them in terms of article 14.5 of the contract which provided for reduction in contract price in case of reduced utility. The Committee would like to know the precise action taken, if any, by the Ministry against the officials for not invoking the appropriate clause of the Contract in this regard.

7.10 From examination of material on record, the Committee gather that escalation in the cost of the Contract was as a result of the terms and conditions of the contract whereby 70 per cent escalation had been made permissible. Obviously, the terms of the contract were not drawn by the Ministry with commensurate care leading to heavy additional payment owing to disadvantageous cost escalation clause. Taking note of the grave neglect of duty, gross inability and incompetence of officials entrusted with

the crucial task of contract drawing and negotiation as well as contract management to its final dischagre, the Committee would like to be apprised of the punitive as well as remedial action taken to ward off such incidents.

7.11 The Committee are saddened to note that the Ministry neither made any efforts to pursuade the vendor to fulfil its contractual obligations nor invoked the provisions of the contract to dissolve it even after serious slippages in the delivery of the systems. Worse, even a belated initiation of the proposal in 1990 by the Ministry for consideration of foreclosure of the contract was abandoned later on. The Ministry failed to furnish any explanation for non-enforcement of the contract provisions aiming to safeguard the interest of the purchaser. The examination of witnesses and the evidence on record makes it apply clear to the Committee that the whole deal made with the foreign firm was dictated by well entrenched and overriding Interest rather than by the dictates of national security. The Committee would expect the Ministry to spill the beans at least at this distant point of time so that those who undermined the paramount defence needs of the country stand exposed.

7.12 The Committee further observe that the imported EW systems were the technology of seventies and by the time these systems were made operational by the vendor, more than a decade's time had past. Thus, these systems had almost become outdated not only in terms of technological advancements which had taken place but also in terms of their own life span which was around twelve years and half. Surprisingly, the Ministry as well as the Naval authorities did not ponder over this crucial issue. The Defence Secretary while deposing before the Committee categorically admitted that these systems brought from the foreign firm contained the technology of the 70s and that there had been rapid developments since then. The Committee are unable to comprehend as to why and for what consideration the Ministry kept on procuring the systems which had become technologically absolescent. Indubitably, the whole deal reflects a murky state of affairs at the prevalent time and the Committee have little knowledge as to whether any remedial and corrective action has been taken in the Ministry of Defence to ensure transparancy in defence deals and to safeguard the supremacy of national security.

7.13 The Committee observe that the preliminary work for development of an indigenous EW System was completed by DLRL in May 1978 itself at a cost of Rs.94.50 lakh but the real development commenced from January 1982. The Committee observe sevral disquieting features in regard to indigenous development such as delayed placement of letter of intent, early review of the indigenous project in April 1978 instead of January 1979, delayed sanction of the project and earmarking of substantial portion of the sanctioned funds for the imported system. The Committee would like all these aspects, responsible for rolling back the indigenous development of the project, to the looked into dispassionately in the context of overall defence preparedness of the country in times to come.

7.14 The model of EW system developed by DLRL was evaluated for a period of about two years and a letter of intent was placed only in 1985 with a PSU for manufacture of the systems. The first indigenous model was delivered much after the scheduled time without furnishing any cogent explanation for the delay. Curiously, the installation and commissioning of the indigenously developed system consumed much more time and the removal of defects noticed in the system after installation took still a longer time. The Ministry even failed to furnish vital information like the dates on which the ships had actually become available for the purpose of installation and commissioning of indigenous EW systems and also the dates of the actual commissioning of these systems on the ships. The Committee would like to be apprised of the dates of the indigenously developed EW systems, the dates of their commissioning on the ships, shippage in the prescribed schedule, deficiencies noticed in the functioning of these systems, the time taken in removal of defects and the status report on the operation of these systems on ships so that the issues could be examined further in right perspective.

7.15 Taking note of the irregularities in the contract entered into with the foreign firm, the Ministry had decided in 1994 to conduct a special internal audit and fix responsibility but, surprisingly, the formal order for internal audit was not given till January 1996. The Committee outright reject the explanation, being explored one, given by the Ministry for the delay of two years in giving formal order for Special Internal Audit on the ground that "this was awaiting appropriate level approval". On being asked to share the findings of the Economic Investigation Bureau (EIB) who had also enquired into the matter, the Ministry pleaded non-availability of records. The non-availability of relevant records and finding of the EIB only adds to the worst apprehension of the Committee that there is a definite design to shield the guilty. The Committee should, therefore, like to be apprised of the findings of the EIB and the remedial follow-up action taken to prevent recurrence of such grave incidents in future.

7.16 Yet another intriguing aspect that came to the notice of the Committee was that the Naval Headquarters agreed to waive off all penalties on account of failure of the vendor in fulfilling the contractual commitments though not competent to do so as also agreed to by the Defence Secretary during oral evidence. The Committee are further astonished to note that though the Naval Authorities had recommended in January 1990 for withholding payments to the firm but surprisingly, the stand was reversed in September 1991 despite continuance of the defaults on the part of the firm on various counts. For reasons not known, despite clear breach on contractual obligations by the vendor firm, the Naval Headquarters and the Ministry refrained conspicuously from taking action against the defaulter firm within the ambit of the contracts. The Committee would like to caution and emphasise that all authorities and organisations under the Ministry of Defence are accountable to Parliament through

the Ministry of Defence and as such it is incumbent upon the Ministry to ensure that all of them follow the prescribed financial and administrative regimen.

7.17 The Committee are dismayed to observe studied slackness on the part of the Ministry in responding draft Audit paras. On being asked to explain, the Ministry regretted the delay in sending reply to the draft Audit Paragraph and assured the Committee that they would ensure timely remedial action on audit paras. The Committee are further constrained to express their displeasure over the inordinate delay in furnishing replies to post-evidence questionnaire on the subject forwarded to them in October 1997. Taking the assurance of the Ministry to extend prompt and all possible cooperation in right perspective, the Committee would like the Ministry of Defence to entrust specific responsibilities relating to audit paras of Comptroller and Auditor General of India (C&AG) and follow up action thereon to designated nodal officers in the respective Departments so as to ensure that the Audit paragraphs as well as follow up action thereon is processed, coordinated, and responded to properly and expeditiously within the stipulated time frame.

NEW DELHI;
4, *May*, 2001

14 *Vaisakha*, 1923 *(Saka)*

NARAYAN DATT TIWARI,
Chairman,
Public Accounts Committee.