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Office Manual Part-II Vol-I (2014 Edition)

As per HQrs office letter no. AT/VI(RC)/66018/OM-III dt: 22.06.2017, a chapter “**Finance & Audit Section attached to Hindustan Aeronautics Limited (HAL)**” mentioned in ANNEXURE-A is incorporated in Office Manual Part-II (2014 edition) as chapter-XVII following subsequent paragraphs (i.e. Para 758 to 790).


ACDA (O&M)

ANNEXURE-A

	FOR	READ
<u>FINANCE & AUDIT SECTION ATTACHED TO HINDUSTAN AERONAUTICS LIMITED (HAL)</u>	As per OM Part-III Chapter-III	As per OM Part-II Vol-I Chapter XVII
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OM Part-II Vol-I

Chapter XVII – FINANCE & AUDIT SECTION ATTACHED TO HAL DIVISIONS

Objectives of Finance and Audit Section attached to H.A.L.

758. Objectives of Finance and Audit section are:
- (i) To ensure correct and prompt payments to Hindustan Aeronautics Limited (HAL), Bharat Electronics Limited (BEL) Bangalore and Bharat Dynamics Limited (BDL) Hyderabad for supplies made and services rendered by them to the Indian Air Force (IAF), Army, Navy and Coast Guard, after exercising requisite internal audit checks.
 - (ii) To provide the Ministry of Defence/Defence (Finance) with necessary cost data/analysis and assist them in increasing the cost effectiveness of expenditure incurred by HAL, BEL and BDL in respect of various jobs and services undertaken for IAF, Army, Navy and Coast Guard.

Duties of Finance and Audit Section in DAD (HAL) offices

759. Duties of Finance and Audit section include:
- (i) To see that the staff of Directorate General of Aeronautical Quality Assurance (DGAQA), Ministry of Defence have certified and signed the appropriate documents supporting the claims of HAL, BEL & BDL, as prescribed in para 452 (I), Defence Audit Code.
 - (ii) To ensure that the officers of ED/BRD/AFLE/AFLC/AALC/NLC, etc. have examined /certified/countersigned the appropriate documents, wherever required, the supporting claims of HAL, BEL & BDL.
 - (iii) To audit and make payment of claims, both advance/stage/milestones and final, preferred by HAL, BEL and BDL for the supplies made and services rendered to the IAF, Army, Navy and Coast Guard.
 - (iv) To make necessary payment/reimbursement for procurement of stores from the erstwhile USSR under deferred credit system of payment.
 - (v) To audit sanctions accorded in the form of annual Firm Repair & Overhaul Tasks, Repair Manufacture & Supply Orders(RMSOs)/Local RMSOs/Indents placed by the Competent Financial Authorities (CFAs) of Service HQrs/their lower units/formations on HAL, BEL and BDL.
 - (vi) To exercise 'financial & cost' checks on behalf of the Ministry of Defence/Defence (Finance) and scrutinise the price proposals of HAL for aircraft/aero-engines supplied to IAF on 'cost-plus' basis and submit verification report to PCDA Bengaluru for rendering Audit Report to Service HQrs for obtaining sanction of the Govt.
 - (vii) To verify and approve the Man Hour Rates (MHRs) and Fixed Price Quotations (FPQs) and Spares Price Catalogues (SPCs) submitted by HAL Divisions based on the Govt-approved base year prices as per the mandate assigned and methodology envisaged in the Govt- approved FPQ letters. For the purpose verification, the requisite indices, escalation parameters and the applicable exchange rates for the relevant year/s need to be obtained from the Air HQ within the time-limit prescribed.

- (viii) To represent PCDA, Bengaluru (by DCDA/SAOs/AOs in-charge) in the Pricing Policy Review Committee (PPRC)/Fixed Price Quotation (FPQ)-related meetings, both preliminary and final stages of deliberations, as per the Fixed Price Quotation Pricing Policy effective from 01.04.1995.
- (ix) To represent PCDA, Bengaluru (by DCDA/SAOs/AOs in-charge) in the Local Modification Committee (LMC) meetings as a finance member.
- (x) To audit and make payment of claims preferred by Bharat Electronics Limited (B.E.L), Bengaluru for supplies made and services rendered to the IAF and the Army as per terms and conditions of contracts concluded and indents placed by the MOD/respective Service HQrs. **(by DCDA(DAD) HAL (Bangalore Complex) Bangalore only).**
- (xi) To audit and make payment of claims preferred by Bharat Dynamics Limited (B.D.L), Hyderabad for supplies made to the Armed Forces as per terms and conditions of contracts concluded and indents placed by the MOD/respective Service HQrs. **(by AO (DAD) HAL Avionics Dn. Hyderabad only).**
- (xii) To audit and make payment of HAL Invoices for the deposit works on maintenance services rendered to DRDO assets located in HAL Divisions.
- (xiii) To effect recoveries on account of payment issues made to HAL from IAF.
- (xiv) To function as internal Financial Adviser to INAS Integration Organisation as per Govt. orders in force.
- (xv) To adjust civil/Military I.D. Schedules.
- (xvi) To maintain the Demand Control Registers properly in the prescribed format and review the same periodically for initiating appropriate action for liquidation as per the provisions of GOI, MOD letter no. Air HQ/S.95352/18/ Fin P/1618/D.III/98/ D(Air-I) Dt. 11.12.1990 & No. Air HQ/ S 95352/18/Fin P/1276/ US(S)/D(Air-IV/2010 Dt. 29.10.2014, as amended.
- (xvii) To verify the supplementary claims of HAL Divisions towards provision for Gratuity, Vacation Leave (VL), Performance Related Pay (PRP), arrears of wages/salaries/DA etc. and render a report to PCDA Bengaluru for rendering Audit Report for approval of Govt. of India, Ministry of Defence.
- (xviii) To submit the Annual Audit Certificate (AAC) report to PCDA Bengaluru for rendering consolidated report to HQrs. office.

Set up & Functions of DAD (HAL) offices

760-A

- (i) A combined Finance and Audit Section (FAS) under the charge of DCDA (DAD) is attached to Hindustan Aeronautics Limited, Bengaluru Complex under the organisation of PCDA, Bengaluru. This office is responsible for audit and payment of claims preferred by HAL Divisions located in HAL (Bengaluru Complex), HAL (Helicopter Complex, Bengaluru) and HAL (Design & Development Complex, Bengaluru). HAL (Bengaluru Complex) consists of

Aircraft Division, Overhaul Division, Engine Division, Intermediate Jet Trainer (IJT)-Limited Series Production(LSP) Division, Industrial & Marine Gas Turbine (IMGT) Division, Light Combat Aircraft (LCA)-Tejas Division and Foundry & Forge Division. HAL Helicopter Complex consists of Helicopter Division, Helicopter-MRO (Maintenance Repair & Overhaul) Division and Composite Manufacturing Division (CMD). HAL Design Complex consists of Aircraft R&D Centre (ARDC), Mission & Combat System R&D Centre (MCSRDC), Rotary Wing R&D Centre (RWRDC) and Aero-Engine Test Bed R&D Centre (AETBRDC).

(ii) The Finance & Audit Section has the dual role of exercising audit checks on behalf of the Defence Accounts Department (DAD) and financial/cost checks on behalf of Ministry of Defence (Finance).

(iii) The office of DCDA (DAD) HAL, under the organisation of PCDA, Bengaluru, is responsible for:

- a) Carrying out audit checks which normally devolve on Defence Accounts Department.
- b) Audit and payment of claims preferred by HAL Divisions located in Bengaluru for supplies made & services rendered to the Armed Forces.
- c) Carrying out financial checks/scrutiny of costs as reflected in the cost ledgers of HAL.
- d) Furnishing necessary data required by Ministry of Defence/Service HQs for fixation of prices or for suggesting economical methods of repair/overhaul based on higher audit.
- e) Verification and approval of Man Hour Rate (MHR)/Fixed Price Quotations/ Price Catalogues (PCs) submitted by HAL Divisions based on the escalation parameters, indices, exchange rates etc. provided by Air HQ & base year prices approved by the Govt. of India, Ministry of Defence (as per the extant FPQ pricing policy in vogue, the prices for the base year in respect of all products & services of HAL is approved by the Govt. of India, MOD. Quotations/Catalogues submitted by HAL divisions at Bengaluru for the subsequent five years are verified & approved by the office of the DCDA (DAD) HAL Bengaluru based on the methodology envisaged in the Govt-approved FPQ letter).
- f) Verification of the supplementary claims of HAL Divisions at Bengaluru towards provision for Gratuity, Vacation Leave (VL), Performance Related Pay (PRP), arrears of wages/salaries/DA etc. and rendition of a report to PCDA Bengaluru for further necessary action.
- g) Audit & payment of claims preferred by some private firms like Southern Electronics (P) Ltd. Bengaluru, Merlin-Hawk Ltd. Bengaluru, HAL-BIT Avionics (P) Ltd. Bengaluru **(by the office of DCDA (DAD) HAL Bangalore only)**.

(iv) Similarly, a Finance and Audit Section under the charge of Senior Accounts Officer/Accounts Officer is attached to each of other Divisions of HAL as follows:

(a) **AO(DAD) HAL Nasik**

Responsible for audit & payment of claims preferred by Aircraft Manufacturing Division (AMD), Aircraft Overhaul Division (AOD) & Aircraft Upgrades R &D Centre (AURDC) at HAL Nasik. In addition, the claims of HAL, MD (MiG Complex) Nasik relating to procurement of stores from the erstwhile USSR under deferred credit system of payment are also dealt with by this office.

(b) **AO (DAD) HAL Hyderabad**

Responsible for audit & payment of claims preferred by HAL Avionics Division, Hyderabad & Strategic Electronics R &D Centre (SLRDC), HAL Hyderabad. In addition, the AO (DAD) office is also responsible for audit & payment of claims preferred by Bharat Dynamics Limited (BDL), Hyderabad for various types of missiles supplied to Armed Forces.

(c) **AO(DAD) HAL Koraput (Odisha)**

Responsible for audit & payment of claims preferred by Engine Division, Sukhoi Engine Division & Gas Turbine R&D Centre (GTRDC) of HAL Koraput.

(d) **AO(DAD) HAL Kanpur**

Responsible for audit & payment of claims preferred by Transport Aircraft Division (TAD) of HAL Kanpur.

(e) **AO(DAD) HAL Lucknow**

Responsible for audit & payment of claims preferred by Accessories Division of HAL Lucknow. In addition, the claims of MD(Accessories Complex) at HAL, Lucknow relating to procurement of stores from the erstwhile USSR under deferred credit system of payment are also dealt with by this office.

(f) **AO(DAD) HAL Barrackpore**

Responsible for audit & payment of claims preferred by Accessories Division, HAL Barrackpore.

(g) **AO(DAD) HAL Korwa(U.P)**

Responsible for audit & payment of claims preferred by Avionics Division, HAL Korwa.

- (v) The functions of these offices are by and large similar to the functions of the Finance & Audit section of DCDA(DAD) attached to HAL (Bengaluru Complex). They will carry out audit on behalf of Defence Accounts Department and financial/cost checks on behalf of Ministry of Defence (Finance). The functions of these Accounts Offices and also that of DCDA(DAD) at HAL(Bengaluru Complex) will be co-ordinated by HAL Cell of PCDA Bengaluru.

Set up of HAL Cell in Main Office, PCDA Bengaluru

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All the DAD (HAL) offices, mentioned in Para 235-A above, are under the functional control of HAL Cell, Main Office, PCDA Bangalore which performs the following major functions:

- (a) O & M inspection of all DAD (HAL) Offices periodically and pursuing the Inspection Reports to finality.
- (b) Issuing clarifications on audit & financial matters, sought by the DAD (HAL) offices.
- (c) Projecting the MFAIR & IAR cases to HQrs office & pursuing the cases included to finality.
- (d) Bringing out the infirmities/weaknesses in the contract to the appropriate authorities for necessary action.
- (e) Rendition of consolidated AAC report to HQrs office.
- (f) Rendition of a consolidated Audit report to MOD, through Service HQrs, pertaining to claims of HAL on Vacation Leave (VL), Performance Related Pay (PRP), Provision for Gratuity, Arrear of wages/DA/bonus etc., in terms of Govt-approved Fixed Price Quotation (FPQ) pricing policy letter, in vogue.
- (g) Updation/Revision of relevant chapters of OM Part III & Defence Audit Code dealing with HAL portion.
- (h) Pursing the cases of LTARs with Test Audit Authorities for settlement.
- (i) Furnishing suitable reply to Draft Audit Paragraphs to HQrs office.

Set up of Defence PSUs dealt with by DAD (HAL) offices

761.

(a) Hindustan Aeronautics Limited (HAL)

HAL is a fully owned Government of India undertaking. It is a defence Public Sector Undertaking (DPSU) under the administrative control of Ministry of Defence, Department of Defence Production. The Company, which had its origin as the Hindustan Aircraft Company, was incorporated on 23 Dec 1940 at Bangalore by Shri Walchand Hirachand, a farsighted visionary, in association with the erstwhile Government of Mysore with the aim of manufacturing aircrafts in India.

HAL, with its Corporate Office in Bengaluru, has, at present, 21 production & repair/overhaul units and 10 R & D centres across India. The major customer of HAL is IAF, followed by Army, Navy and Coast Guard.

HAL undertakes the production, maintenance and overhaul services of the fleet of Armed Forces to cover the life cycle requirement of all the old and new products. The major tasks being carried out by HAL at present include:

- a) Production of aircrafts like SU-30 MKI, Hawk-AJT, Light Combat Aircraft (LCA), DO-228 and helicopters like Dhruv-ALH and Cheetal.
- b) Repair & Overhaul of Trainer & Combat aircrafts like Jaguar, Kiran- Mki//II, Mirage-2000, HS-748 (AVRO), AN-32, MiG series of aircrafts, Su-30MKI aircraft, DO-228 aircraft and ALH, Cheetah / Chetak helicopters & aero-engines/accessories associated with these aircrafts & helicopters.
- c) Supply of maintenance spares to IAF bases/Equipment Depots etc. based on Supply Orders placed on them.

- d) Site repairs work at outstation IAF bases by deputing their personnel.
- e) Indigenous Design & Development (D&D) programmes, such as, the Light Combat Aircraft (LCA), Intermediate Jet Trainer (IJT), Light Combat Helicopter (LCH), Light Utility Helicopter (LUH), Weapon System integration on ALH, Multi-role Transport Aircraft (MTA), Fifth Generation Fighter Aircraft (FGFA), Basic Turboprop Trainer etc.

(b) Bharat Electronics Limited (BEL)

BEL was established in 1954 to meet the specialized electronic equipment requirements of the Indian Defence Services. It is a defence Public Sector Undertaking (DPSU) under the administrative control of Ministry of Defence, Department of Defence Production. It has established production units in Bengaluru, Ghaziabad, Pune, Machilipatnam, Panchkula, Kotdwara, Navi Mumbai, Chennai and Hyderabad.

BEL now produces a wide range of state-of-the-art equipment in fields such as Defence Communication products, Land-based Radars, Naval Systems, C4I Systems, Weapon Systems, Homeland Security, Telecom & Broadcast Systems, Electronic Warfare systems, Tank Electronics, Electro Optics, Professional Electronic Components, Avionics, Simulators, Batteries, missiles system and Solar Photovoltaic Systems. It also provides turnkey system solutions. Civilian products from BEL include Electronic Voting Machines, Tablet PC, solar-powered traffic signal systems and Access Control Systems.

(c) Bharat Dynamics Limited (BDL)

BDL, a Govt of India enterprise under Ministry of Defence, was established in Hyderabad in the year 1970 as a manufacturing base for guided missiles and allied defence equipment. It has three manufacturing units located at Kanchanbagh(Hyderabad), Bhanur (Medak District) and Vishakhapatnam.

BDL produces various types of Anti-Tank Guided Missiles for IAF, Army & Navy. Its products range includes missiles like Milan-2T, Konkur-M, Invar-3UBK, Prithvi, Akash and missile systems like Advanced Light Weight Torpedo, Torpedo Counter Measure System, Counter Measure Dispensing System, Infra Red Interference Indicator etc.

762. The accounts of HAL, BEL & BDL are subject to audit by:

- (i) Its own Internal Auditors;
- (ii) A team of auditors appointed by the Govt. of India on the advice of Comptroller and Auditor General of India; and
- (iii) The Director General of Commercial Audit.

This being the position, great tact and care should be exercised in carrying out audit checks by the DCDA/AO(DAD) offices, as the payment vouchers are subject to periodical Test Check by the Director of Audit (Air Force) under Comptroller & Auditor General of India (C & AGI).

Work generally handled by HAL/BEL/BDL

763. The following types of work are generally handled by HAL for the Armed Forces:

- (i) Design and Development, manufacture, overhaul, repair and conversion and assembly of various types of aircraft, helicopters, aero-engines, avionics, accessories, rotables etc.

- (ii) Inspection and maintenance of aircraft at certain outstation IAF/Navy/Army bases.
- (iii) Procurement of spares and raw materials from both Indigenous & foreign vendors for manufacturing or overhaul projects or supply to Services.
- (iv) Repair, Manufacture & Supply of various items of equipment etc. belonging to IAF/Army/Navy/Coast Guard.
- (v) Other miscellaneous jobs viz., Defect Investigation, Training of personnel etc.
- (vi) Setting up of DRE facilities for manufacture & repair/overhaul of Aircrafts & Aero-engines and their rotables, avionics & accessories.

Similarly, M/s BEL undertakes the task of manufacture & supply of Defence Communication products, Land-based Radars, Naval Systems, C4I Systems, Weapon Systems, Homeland Security, Telecom & Broadcast Systems, Electronic Warfare systems, Tank Electronics, Electro Optics, Professional Electronic Components, Avionics, Simulators, Batteries, Akash missiles system and Solar Photovoltaic Systems needed for the fleets held in the charge of Armed Forces.

M/s BDL is engaged in production & supply of various types of Anti-Tank Guided Missiles like Milan-2T, Konkur-M, Invar-3UBK, Prithvi, Akash and missile systems like Advanced Light Weight Torpedo, Torpedo Counter Measure System, Counter Measure Dispensing System, Infra Red Interference Indicator which are held on charge by the Services.

Basis of payment to HAL/BEL/BDL

764-A

Payments to HAL, BEL and BDL for supplies made and services rendered to Armed Forces (i.e. IAF, Army, Navy & Coast Guard) will be regulated based on:

- (a) The provisions contained in the sanctions accorded by the Govt. of India, Ministry of Defence for execution of specific Design & Development activities of new Aircraft, Helicopters, Aero-engines & rotables belonging to these aircrafts/aero-engines.
- (b) Terms & conditions stipulated in Contracts concluded by the Ministry of Defence/Service HQrs with these Defence PSUs for manufacture & supply of Aircrafts/Helicopters, Aero-engines, Equipment, associated spares, Missiles etc.
- (c) Terms & conditions stipulated in Contracts concluded by the Ministry of Defence/Service HQrs with these Defence PSUs for modification/integration/up-gradation of existing fleet of Aircrafts/Helicopters in the charge of Armed Forces.
- (d) Terms & conditions envisaged in the GOI sanctions for establishment of DRE facilities in HAL/BEL/BDL for manufacture/repair & Overhaul of Aircrafts etc.
- (e) Terms & conditions of the Firm Tasks placed by the Service HQrs on HAL for Repair/Overhaul/Servicing/Major Inspection/Rectification/Defect

Investigation etc. of Aircraft/Aero-engines/Rotables belonging to Armed Forces. Payment in such cases will be regulated as per the provisions contained in the Division-specific Fixed Price Quotation (FPQ) letters approved by the Govt. of India, from time to time.

- (f) Terms & conditions of the Repair Manufacture & Supply Orders (RMSOs)/Local RMSOs issued by the Services HQrs and their lower Formations/Units. Payment in such cases will be regulated as per the provisions contained in the Division-specific Fixed Price Quotation (FPQ) letters approved by the Govt. of India, from time to time.

Note: The Coast Guard & Navy have also adopted the FPQ system (implemented by IAF & adopted by Army wef 1995-96) wef 1st April 2016 (2016-17) vide GOI, MOD letter no. CGHQ/AM/0902/FPQ/977/D(N-IV) Dt. 07.09.2015 & No. IHQ MOD (N)/168/D(N-IV)/2016 Dt. 03.06.2016 respectively.

Types of payment made to HAL

764-B The following types of payments are generally made to HAL:

- (a) In case of contract-related claims for delivery of Aircraft, Helicopters, engines, etc, the payment will be made as per the rates fixed in the Contract concerned applicable to the scheduled year/actual year of delivery, whichever is earlier & upon fulfilment of contractual terms & conditions.
- (b) In case of claims relating to repair/overhaul etc., jobs carried out against firm tasks placed by Air HQ etc., the payment will be made as per approved rates fixed in the division-specific Fixed Price Quotation (FPQ) letter & upon fulfilment of terms of payment stipulated in the division-specific FPQ policy letter. Rate as applicable to the scheduled year/actual year of delivery whichever is earlier, will be paid.
- (c) In case of claims relating to supply of spares manufactured by HAL against RMSOs/LRMSOs placed by Air HQ etc., the payment will be made as per approved rates in the division-specific Fixed Price Quotation (FPQ)/ Spares Price Catalogues (SPC) & upon fulfilment of terms of payment stipulated in the division-specific FPQ policy letter.. Rate as applicable to the scheduled year/actual year of delivery whichever is earlier, will be paid.
- (d) In case of claims pertaining to supply of Bought-Out (Bought Out Indian (BOI)/Bought Out Foreign (BOF), payment will be made on the basis of vendor's invoice (price duly negotiated) & proof of payment made by HAL. In addition, the Freight & Insurance at approved percentage, as applicable to HAL division concerned, is also admissible.
- (e) In case of claims relating to supply of BOI/BOF items by HAL from their own stores, payment will be at the weighted average cost as per material ledger of the HAL division concerned.
- (f) In case of engines or rotables/accessories for which repair/overhaul facilities are not available with HAL division concerned or sister division/s & hence sent to OEM vendor (indigenous or abroad), the claims will be regulated on the basis of vendor's invoice (duly price negotiated) & proof of payment made by HAL & upon fulfilment of terms of payment stipulated in the division-specific FPQ policy letter. In addition, the Freight & Insurance at

approved percentage, as applicable to HAL division concerned, is also admissible.

- (g) In case of claims towards Cat 'B' repairs done on Aircraft/Aero-engines, the payment will be regulated on 'cost-plus' basis as per methodology stipulated in the division-specific, Govt. approved FPQ letter.
- (h) In case of repair/overhaul jobs which are not covered under approved FPQ, the payment for claims relating to initial quantity up to 10 Airframes, 20 Aero-engines & 25 rotables, under each category of job/work carried out, will be paid on 'cost-plus' basis as per methodology stipulated in the division-specific, Govt. approved FPQ letter. Beyond this quantity, payment will be made on the basis of FPQ rates approved by Govt. subsequently.
- (i) Similarly, in case of supply of spares manufactured by HAL which are not covered under approved FPQ/Spare Price Catalogue (SPC), claims for initial quantity of 20 nos. of each spares indented will be paid on 'cost-plus' basis as per methodology envisaged in the FPQ policy letter & . Beyond this quantity, payment will be made on the basis of FPQ/SPC rates approved by Govt. subsequently.
- (j) In case of claims relating to Deferred Revenue Expenditure (DRE) incurred for setting up of facilities for manufacture and repair/overhaul of Aircraft, Aero-engines, Rotables etc. against the specific sanctions accorded by Govt. of India, Ministry of Defence, the same will be reimbursed in full on verification of proof of incurrence along with profit at 7.5%. This payment, however, is subject to element -wise and overall ceiling prescribed/approved for the project concerned.
- (k) Claims on account of provision of gratuity based on actuarial valuation will be paid separately without profit on annual basis, in the ratio of FPQ sales of IAF/Army/Navy/ Coast Guard sales (as the case may be) to total sales of HAL and on the basis of approval accorded by the GOI, MOD.
- (l) Claims towards Performance Related Pay (PRP) along with applicable profit, will be regulated, in the ratio of FPQ sales of IAF/Army/Navy/Coast Guard (as the case may be) to total sales of HAL based on the approval accorded by GOI, MOD.
- (m) Claims on account of any services provided to the visiting IAF aircraft/helicopter at HAL divisions will be regulated on 'cost-plus' basis as per the methodology approved in the FPQ policy letter & terms of payment stipulated therein.
- (n) Claims of HAL towards extra works to schedule of the repair/overhaul carried out on airframe/aero-engine/rotables based on the specific request of IAF will be regulated on 'cost-plus' basis as per the methodology approved in the FPQ policy letter & terms of payment stipulated therein.
- (o) Claims towards outstation jobs/site repairs, carried out by HAL by deputing its personnel, will be regulated based on the payment methodology stipulated in the Govt. approved FPQ letter and on verification of Work Done Report & Attendance Report, duly certified by the Chief Engineering Officer/STO of the IAF Base/Site.

Verification of claims preferred by HAL

765. Verification of HAL's records in audit is not necessary in cases where payments are required to be made with reference to Govt.-approved FPQs/SPCs/Contracted rates. It will be sufficient to see that the items of work have been duly carried out by HAL as per the orders placed and Standard Operating Procedure (SOP), as laid down in the relevant Contract/FPQ policy letter/GOI sanction letter. Any items of work over and above sanctioned in contract etc., if any, are duly sanctioned by the Competent Authority. The payment for such additional work will be regulated as provided for in the relevant Govt. sanction/FPQ letter/Contract, as amended.

When the basis of payment is on 'cost-plus', the terms of Contract/FPQ policy letter and the general principles observed for the audit of public expenditure, as laid down in Financial Regulations and Defence Audit Code and any specific instructions laid down in the Govt. of India letters will form the basis of scrutiny of claims preferred by HAL.

Advance/Milestone/Progressive/Stage payment claims

766. Advance/Milestone/Progressive/Stage payments to HAL/BDL/BEL for the following types of work carried out for the Armed Forces are authorised:

- (a) Development/manufacture/up-gradation etc. of aircraft/helicopter/aero-engines and rotables/accessories/aggregates belonging to such aircraft/helicopter/aero-engines.
- (b) Supply of spares against indents/RMS Orders/Local RMS orders placed by the Services.
- (c) Repair/Overhaul of aircraft/helicopters/aero-engines/rotables against annual Firm repair/overhaul tasks placed by Air HQs etc.
- (d) Creation of DRE facilities for manufacture/repair & overhaul of aircraft/helicopter/aero-engine/rotables. In such cases, the advance is authorised only in such case where the value of HAL's invoice towards DRE is of the order of Rs. 25 lakhs and above. After drawal of advance, HAL shall produce the proof of payments within two weeks from the date of such drawl.

The audit of claims of HAL towards advance/milestone/stage/progressive payment will be conducted with reference to the terms of payment stipulated in the relevant contract or as per the provisions of Govt.-approved, division-specific FPQ letters or terms & conditions specified in the sanction letters issued by the GOI, MOD.

The broad checks to be exercised on such claims are as follows:

(a) Design & Development/Manufacture/Upgrade of Aircrafts, etc.

It will be seen that:

- (i) The sanction of CFA exists/relevant contract is concluded.
- (ii) The terms of payment, as stipulated in the sanction/contract, are adhered to. In general, the contractual terms of payment for manufacture of Aircraft etc., concluded with HAL, authorises the following stages of payment:

- (a) 1st stage payment at 15% of the contract price for full scope of supplies, as initial advance, on signing of the contract.
 - (b) 2nd stage payment at 15% of the contract price for full scope of supplies, based on certification by HAL that the first supplementary agreement/ purchase order is signed with its vendor for procurement of material.
 - (c) 3rd stage payment at 30% of the contract price of the batch quantity concerned, on the basis of certification by the rep. of DGAQA(buyer's Inspector) or any other authority specified in the contract that the manufacturing activity in respect of the batch quantity has commenced.
 - (d) 4th stage payment at 20% of the contract price of the batch quantity concerned, on the basis of certification by the rep. of DGAQA or any other authority specified in the contract that the structural assembly of the batch quantity has commenced.
 - (e) 5th stage payment at 15% of the contract price of the batch quantity, on the basis of certification by the rep. of DGAQA or any other authority specified in the contract that the equipping of the batch quantity has commenced.
 - (f) 6th/balance payment at 5% of the contract price of the batch quantity, on the basis of final acceptance of the aircraft by the rep. of DGAQA & production of IAFF (Q) 423(modified) – HAL's Advice-cum-Inspection Note, duly certified/signed by the rep. of DGAQA located in HAL division.
- (iii) The certificate of achievement of major activities, as prescribed in the sanction/contract, is enclosed with the claim.
 - (iv) Year-wise flow of funds, if indicated in the sanction/contract, is adhered to.
 - (v) Time-frame, as specified in the sanction/contract, for completion of each activity is adhered to.
 - (vi) If the sanctioned amount includes Foreign Exchange component, the claim on account of Exchange Rate Variation (ERV) is submitted by HAL on due date for necessary adjustment.
 - (vii) The approved ceilings/contract value is not exceeded unless otherwise the sanction/contract specifically provides for reimbursement of certain elements like Taxes & Duties, ERV etc. *extra* at actual.
 - (viii) In case of multi-customer project, the prescribed ceiling for each customer is watched scrupulously.

(b) Repair & Overhaul jobs:

It will be seen that:

i) The Firm task for the year concerned exists for releasing 1st Stage payment. If the annual firm task is not placed by the task-placing authority within the prescribed time-limit, the provisional claim is based on approved forecast quantity & subject to review on receipt of approved firm task for the year concerned. The claim is made as per approved FPQ rate for job/task.

ii) The claim towards 2nd stage payment is prepared as per approved FPQ rate and is supported with a certificate confirming commencement of stripping/dismantling activity from the production Dept. of HAL division & also a certificate from the Head of Finance of HAL division that 65% of the total cost of the ROH task has been incurred till this stage.

iii) In case of internal rotables sent by one division of HAL to its sister division for requisite repair/overhaul under the authority of Inter-Divisional Transfer Order (IDTO), the 1st stage claim is prepared on approved FPQ rate & copy of IDTO duly certified by the customer's inspector (DGAQA) is enclosed with the claim. Similarly, the 2nd stage claim is supported with a certificate from the sister division of HAL confirming receipt of the tasked quantity/items for undertaking repair/overhaul.

(c) Supply of spares to against Indents/RMSOs)/Local RMSO:

It will be seen that:

i) 1st & 2nd stage claims are made as per approved Price Catalogue rate/budgetary quote (applicable to 'cost-plus' cases) & as per terms of payment stipulated in the FPQ letter.

ii) The relevant Indent/RMSO/Local RMSO exists.

iii) In case of Bought Out items (both Indian & Foreign) indented by IAF, stage payment will be made to HAL on placement of Purchase Order (PO) by HAL on its vendor.

(d) 'Cost-plus' claims

As per the provisions of FPQ pricing policy letter in vogue, payment to HAL on 'cost-plus' basis will be made in the following cases only:

- (i) Cat 'B' repairs carried out on Aircrafts & Helicopters belonging to Services.
- (ii) Additional modifications (MODS) carried out on Aircrafts/Helicopters/Aero-engines in addition to existing schedule of work for repair/overhaul or fitment of new MODS, as prescribed by the Local Modification Committee/Air HQ/any other authorised agency. In such payment on 'cost-plus' basis shall be made up to initial quantity of 20 nos. only of each MODS.
- (iii) Periodical servicing done by HAL on aircraft where the scheduled ROH work has been completed by them & signalled out, but there is delay on the part of IAF etc. in collection of Aircraft beyond 30 days from the date of signalling out.
- (iv) In case of repair/overhaul etc., jobs carried out on aircraft, engines, rotables etc. & not covered under approved FPQ, the payment in such cases will be made on 'cost-plus' basis up to an initial quantity of 10 aircrafts/helicopters, 20 aero-engines & 25 rotables, under each category.

- (v) Fabrication & supply of new spares indented by IAF which are not covered under existing Price Catalogues, the payment up to initial quantity of 20 nos. only will be paid on 'cost-plus' basis.
- (vi) It will be ensured in audit while regulating 'cost-plus' claims that the methodology prescribed in the FPQ policy letter of HAL division concerned is followed & elements of cost prescribed therein are only paid, after due verification of relevant documents.

(e) Deferred Revenue Expenditure (DRE) claims

It will be seen that:

- (i) Requisite sanction of the Govt. of India, MOD/Competent Authority exists for incurrence of DRE. All expenditure incurred on tooling, jigs & fixtures, training, foreign specialists, design & development for tool design & project management, etalons and other pre-production expenses directly related to manufacturing/overhaul projects & license fee, will be classified as DRE.
- (ii) A separate approval for the DRE project from the CFA exists.
- (iii) Verification of proof of incurrence of expenditure is carried out in audit before reimbursing the same.
- (iv) A separate register is maintained for monitoring the DRE ceiling prescribed in the project sanction letter.

Audit Checks on Final Claims

767.

It will be seen in audit that:

- (i) In case of claims relating to D&D projects & Manufacturing & upgrade contracts, the terms of payment for final claims stipulated in the respective sanctions/contracts are adhered to by the Seller & documents mandated therein are enclosed with the claim.
- (ii) In case of Repair & Overhaul jobs, the final claim is supported with the following documents:
 - a) HAL's Advice & Inspection Note (IAFF (Q) 423 (Modified) duly completed & certified/signed by the customer's Inspector (rep. of DGAQA) is enclosed. This Inspection note shall clearly indicate the nature/category of work/service carried out by HAL for regulating payment at FPQ rate, as applicable. The inspection note shall also clearly indicate the despatch details of consignment sent to IAF unit.
 - b) In case of delivery of Aircraft/Helicopter, copy of signalling-out certificate & work done report is enclosed.
 - c) In case of delivery of aero-engine, copy of Defect Investigation Report is also enclosed.

- d) A list of items drawn from HAL stores covered in the 'X' list duly supported by selective high value Material Requisitions (MRs)/system generated vouchers of IFS (ERP) is enclosed.
 - e) A list of items which are not covered in Bill of Material (BOM) or 'X' list duly supported with selective high value Material Requisitions (MRs)/system generated vouchers of IFS (ERP) is enclosed.
 - f) A list of items, duly certified by the in charge of Integrated Materials Management (IMM) of HAL division, for items drawn from HAL-held IAF Stores duly supported with selective high value Material Requisitions(MRs)/system generated vouchers of IFS (ERP) is enclosed.
 - g) In case the engines/external rotables have been repaired/overhauled/serviced etc. by outside agencies (indigenous or foreign vendor), the vendor's invoice is enclosed.
 - h) In case of internal rotables, sent from one HAL division to another sister division through Inter-Divisional Transfer Order (IDTO), in addition to IAFF (Q) 423(modified), the claim shall also be supported with copy of despatch advice, Receiving Report (RR) of the user's division.
- (iii) In case of final claims relating to spares supplied against RMSO/LRMSO, it will be seen in audit that:
- a) If rates are available in approved FPQ/Spare Price Catalogue, the final payment will be regulated based on the approved/finalised prices as applicable to the scheduled year of delivery or actual year of delivery, whichever is earlier.
 - b) In case of procurement of items from local vendors (Bought Out Indigenous) or foreign vendors (Bought Out Foreign), the final payment is made on the basis of vendor's invoice (price duly negotiated) along with Freight & Insurance at approved percentage.
 - c) In case of items supplied by HAL from their own stores, the final payment will be made at weighted average cost as per material ledger.
 - d) In case of items fabricated by HAL for which rates are not available in the approved Price Catalogue, final payment for initial quantity of 20 nos. shall be made on 'cost-plus' basis as per methodology stipulated in FPQ policy letter.
 - e) In case of time-barred claims, it will be ensured in audit that the sanction of the Govt. of India exists in terms of Rule 191 of Financial Regulations (FR) Part I.
 - f) After payment action of final bills, the original copy of IAFF (Q) 423(modified) will be scheduled to the LAO concerned of the Consignee unit for necessary credit verification in consignee's ledger. The receipt of acknowledgement thereof will be watched through Scheduling-out Register.

Audit checks on 'Cost-plus' claims

768. It will be seen in audit that the following elements are only reckoned for working out cost-plus claims preferred in respect of cases mentioned in Para 241-B(d) above:

- a) Material cost is claimed as per weighted average rate in material ledger for items drawn from HAL stores. In case of HAL fabricated items used in the job, the price approved in the Spare Price Catalogue (excluding profit) is considered. Vendor's invoice (price duly negotiated is considered in case of repair/overhaul/Cat 'B' repairs/rectification, etc.
- b) Freight & Insurance at fixed percentage approved for HAL division concerned is allowed on total material cost claimed.
- c) Check the actual labour hours booked against the work order. The labour cost is worked out by multiplying the labour hours & approved Man Hour Rate (MHR) for the respective year/s.
- d) Sundry Direct Charges (Flight & Ground Risk Insurance) is allowed.
- e) Profit at 10% (excluding profit on HAL fabricated items for which approved rates are available in the Price Catalogue) is allowed.
- f) Amortized cost of HAL-funded DRE, if any, is admissible.
- g) Warranty cost at applicable percentage on total cost (excluding amount as per vendor's invoice, if claimed) is also allowed.
- h) Taxes and Duties, as applicable is also payable.

Levy of Liquidated Damages

769. It will be seen that:

- a) The provisions of Liquidated Damages, as stipulated vide Para 7.10, Chapter 7 of Defence Procurement Manual (DPM) 2009, as amended, will be applicable for delay in supplies and services rendered.
- b) In case of manufacturing/upgrade projects where specific contract is signed, the LD will be levied based on LD clause incorporated in the respective contracts.
- c) In case of Bought Out Items (Indigenous or Foreign) and items sent by HAL to outside agencies including abroad (due to absence of requisite repair/overhaul facility at HAL division), the invoice amount will be claimed by HAL after adjustment of LD levied by HAL on its vendor.

Verification & approval of FPQs/SPCs by DAD (HAL) offices

770. As per the norms prescribed by the empowered Pricing Policy Review Committee (PPRC), the duration of PPRC in vogue is 7 years commencing from 2009-10. The base year prices for all supplies & services done by all HAL divisions under FPQ policy during 2009-10 & 2010-11 have been approved by MOD with the concurrence of MOD (F) for regulating payments accordingly.

As per the recommendation of the PPRC & approval of Govt., the FPQs & SPCs submitted by HAL divisions for supplies & services made during 2011-12 to 2015-16 are required to be verified & approved by the respective DAD (HAL) office co-located with HAL division concerned.

Accordingly, the DAD (HAL) offices are mandated & responsible for verification of the draft FPQs/SPCs submitted by respective HAL divisions & approved the same for regulating payments accordingly. For this purpose, Directorate of Financial Planning, Air HQ is required to furnish the following information, as applicable to the year of FPQ under consideration, to all concerned:

- a) Indices for Aviation Turbine Fuel (ATF).
- b) Approved escalation percentage of Material Cost separately for (i) Indigenous Raw Material (Basic Metal & alloys Index), (ii) Indigenous Consumables ((Basic Metal & alloys Index), (iii) Russian Bought out Items & (iv) Western Bought out Items.
- c) Price Indices - Consumer Price Index, Wholesale Price Index, Electricity(Domestic) Index, Electricity(Industry) Index, Basic Metals & Alloys Index.
- d) Approved Rejection percentages for HAL division concerned for Forgings & Castings, Bought out Items & Standard Parts & Consumables.
- e) Percentage of Material Redundancy.
- f) Percentage of Freight & Insurance.
- g) Foreign Exchange (FE) Rates for Imported Materials (as notified by the SBI, Parliament Street Branch New Delhi).
- h) Direct Labour Yield.
- i) Direct Labour Efficiency.

While verifying the draft FPQs/SPCs submitted by HAL divisions for the year concerned, it will be ensured by the DAD(HAL) offices that:

- a) The draft quotation/catalogue is prepared strictly in compliance with the methodology stipulated in the FPQ policy letter.
- b) The requisite parameters on escalation, indices, exchange rate, yield/efficiency of direct labour, material redundancy, rejection, etc., as prescribed in the FPQ policy letter and as applicable to the relevant year are duly considered by HAL division.
- c) The element of warranty cost, at the approved rate as applicable to HAL division, is only considered (profit on warranty is not admissible).
- d) Cost of amortization of DRE, if any, is taken into account for adjustment as per the laid down procedure.
- e) Percentage of profit, as applicable to FPQ/SPC/Financing cost/DRE, is only considered (As per FPQ policy in vogue, rate of profit admissible on FPQ/SPC, Financing cost & DRE is 10%, 5.5% and 7.5% respectively).

Payment of warranty cost

771. Warranty for supply of HAL manufactured/overhauled/repared aircraft, aero-engine, rotables, accessories, avionics and supply of spares is guided by the provisions contained in GOI, MOD letter no. Air HQ/S.95357/61/Fin P/2004-05/2017/DS/D(Air-IV) Dated 11.08.2006 (effective from 1st April 2006), as amended from time to time.

FPQ policy letter stipulates that with effect from the financial year 2011-12, the prices for supply of products & services to IAF/Army (and to Navy & Coast Guard with effect from 2016-17) shall include 'warranty' as a separate element of cost as per GOI, MOD letter no. Air HQ/S 95357/61/Fin P/403/US (RP/D (Air-IV)/2012 Dt. 13.04.2012.

As per GOI, MOD letter no. Air HQ/S 95357/61/Fin P/403/US (RP/D (Air-IV)/2012 Dt. 13.04.2012 the approved prices for HAL manufactured/overhauled aircrafts, engines, rotables etc., shall include a separate element of cost for annual warranty, as a percentage on material and labour cost, at the following rates:

(a) Aircraft & Helicopter divisions of HAL	2.00 %
(b) Accessories Divisions of HAL	4.00 %
(c) Engine Divisions of HAL	5.00 %

GOI, MOD, vide letter no. Air HQ/S 95357/61/Fin P/D(Air-IV)/2014 Dt. 25.08.2014, has decided to bring the repair jobs also under the ambit of warranty clause wef 25.08.2014 with the stipulation that approved prices for repairs shall include a separate element of cost for annual warranty on repairs, as a percentage on material and labour cost, at the applicable rates, as mentioned above.

It will be ensured in audit that the guidelines provided in extant Govt. of India letters on warranty, as amended from time to time, are adhered to by HAL while submitting claims/quotes/catalogues. It would also be ensured in audit that no profit on warranty is paid.

Maintenance of IAF Aircraft at Outstation Bases

772. It will be seen that:

- i. The specific request of IAF for deputing personnel for carrying out site repair/survey/calibration of equipment exists.
- ii. Claim is preferred only in respect of the direct workers deputed for such tasks.
- iii. The Work Done Report & Attendance Report (in prescribed format) is certified & signed by the Chief Eng Officer/STO or equivalent of the IAF Base/ Officer Commanding Technical Support Squadron (OCTSS), ASTE.
- iv. Total no. of days for which each direct worker was engaged is specified.
- v. Claim for each direct worker is restricted to 7.5 working hours per day including time spent in the journey to and from the IAF Base/Site. In addition, the extra hours spent on working days and holidays by each direct worker can also be claimed/paid.
- vi. Ensure that the claim is regulated at the approved MHR as applicable to the year concerned.

- vii. If HAL has claimed for materials used from their own stores, ensure that the same is priced as per approved Price Catalogue (for HAL-manufactured spares) or as per weighted average rates of the material ledger (in case of bought-out items).
- viii. That the requisite certificate from the Chief Eng Officer/STO etc. that the items repaired are not under warranty, is enclosed with claim.

Procedure for raising and settlement of objections

773. The Finance & Audit Section will endeavour to settle as many objections/observations, as far as possible, locally in liaison with HAL divisions concerned or local representative of IAF (i.e. EDs/AFLEs) or IAF unit concerned. Unsettled items, if any, will be taken up with Service HQrs., directly under intimation to HAL Cell of PCDA Bengaluru.

Work connected with Disbursement of Invoices

774. For speedy settlement of claims preferred by HAL, BEL & BDL and to avoid duplication of work all round, the work connected with disbursement of invoices is localised in Finance and Audit Section attached to each of the divisions of HAL. For this purpose, each of the DAD (HAL) offices under the administrative & functional control of Principal Controller of Defence Accounts, Bengaluru has been allotted a section code number. On disbursement of invoices, the Punching Medium will be sent to EDP centre at Bangalore for compilation.

775. The bills on receipt will be entered in the Register of bills and after they have been audited in the manner indicated above they will be dealt with as under:

- a) The paid invoices will be entered in the Register of Bills.
- b) The invoices will be arranged and listed showing the amounts to be passed for payment and the amounts to be recovered (wherever the adjustment claims fall short of the On-account/Advance payment already made and cost of the payments issues made by IAF Unit to HAL).
- c) A consolidated punching medium for the amount of cheque is prepared showing the various code Heads for charges together with DP Sheets for schedule III and details of payment of invoices intimated to PCDA Bengaluru.
- d) Original copy of the punching medium will be sent to concerned EDP Centre direct and duplicate copy of the punching medium along with the detailed statements (in duplicate) in respect of RD&R Heads, if any, DP sheets and the schedule III are sent to the Accounts Section of PCDA, Bengaluru.
- e) The total amount of cheques drawn during the month is intimated to the PCDA, Bengaluru showing the code heads to which they were compiled.
- f) The statement showing the details of the cancelled cheques the month will be sent to the PCDA, Bengaluru on the 5th of the following month.
- g) A certificate that the blank leaves in the cheque books are checked and found correct will be sent to the PCDA, Bangalore on the last working day of each week.

h) The Disbursement Group is required to maintain all the requisite registers.

776. Before issue of the cheque it will be ensured that budget allocations, as notified by the Govt. of India/Service Headquarters from time to time during the financial year concerned are available under each code head.

In respect of budget allocations made by Air HQ, the original notification issued by HAL Corporate Office from time to time (as authorised by Govt. of India) will invariably be watched & consulted for the purpose of payment.

Cash advance/Demand Register

777. As and when the Stage/Advance/Milestones/Progressive payments are made to HAL/BEL/BEL in terms of payment terms & conditions stipulated in the relevant sanction/contract/FPQ letter, all relevant details of such payment will be entered in the Cash Advances Register (Debit side/left side of the register) maintained separately for manufacturing/upgrade contracts, D&D projects, Repair & Overhaul Tasks and RMSOs/LRMSOs. This register is maintained separately for each of HAL divisions dealt with by respective DAD (HAL) office.

On admittance of final claims in audit, the proportionate advance will be adjusted & noted in the relevant register (Debit side/left side of the register), setting off the advance to that extent.

Each entry in the register is invariably authenticated by the in-Charge of the office.

These registers are subject to periodical O & M Inspection by HAL Cell of PCDA Bengaluru & also Test Check by the Director of Audit (Air Force) Bengaluru.

The Demand Registers are reviewed periodically & advances outstanding for more than the maximum time-limit prescribed in the relevant Govt. orders will be noted & recovered from subsequent payments due to HAL/BDL/BEL. The registers are also useful for preparing periodical AAC reports rendered by DAD (HAL) offices.

Liquidation of advances outstanding against HAL

778. DAD (HAL) offices will ensure that Cash advance (Demand) registers, maintained in their office, are reviewed periodically and action initiated for recovery from HAL on expiry of maximum time limit for settlement of advances towards manufacturing, repair/overhaul & supply of spares projects as prescribed in the Govt. of India, MOD letters as follows:

i) Air HQ/ S.95352/18/Fin P/1618/D.III/90/D (Air-I) Dt. 11.12.1990 (applicable for advances paid up to 31.03.2014), and

ii) Air HQ/95352/18/Fin P/1276/US(S)/ D (Air-IV)/2010 Dt. 29.10.2014, as amended (applicable for advances paid on or after 01.04.2014).

Payment issues to Hindustan Aeronautics Limited

779. The work connected with recoveries of payment issues made to HAL from all IAF sources and gasoline drained from aircrafts belonging to Armed Forces by HAL is centralised in the Finance & Audit Section of DAD (HAL) Offices.

780. The procedure for the recovery of Gasoline drained from aircrafts belonging to Armed Forces by HAL will be as laid down in Equipment Accounting Instructions no. 130 of 1953, as amended.

781. As regards the procedure for the recovery of the repayment issues of Indian Air force Stores including gasoline drained by M/s Hindustan Aeronautics Ltd., the repayment vouchers IAFF (Q) 431 will be received in triplicate from the Indian A.F. Unit.

Pricing of vouchers in Indian A.F. is an Executive responsibility. The amount of each voucher will be recorded in the Repayment Issue Register maintained to watch the recovery. The copies of vouchers will be disposed of as under:

- i) One copy forwarded to M/s Hindustan Aeronautics limited intimating them that the cost shown in the voucher will be recovered from the payment to be made to them by Finance and Audit Section.
- ii) Second copy to be returned to the Units with remarks 'NOTED FOR RECOVERY AT No.....of 'Repayment Register' through the respective LAO (AF).
- iii) Third copy to be retained in the section to support the recovery.

Audit and Payment of bills of M/s BEL, Bengaluru

782. In addition to the general audit checks prescribed in OM Part II Vol-I for audit of Contractor's Bills, the following checks will be exercised:

- i) The claims are prepared as per procedure laid down in AFO 35/70 and 38/67.
- ii) The claims are signed by the authorised officer of the Company.
- iii) The terms & conditions, as stipulated in the relevant Contract/Supply Order/Indent, have been complied with by M/s BEL.
- iv) Generally, the contracts concluded by MOD with M/s BEL authorise payments in following stages:
 - a) 1st stage payment at 15% of the total contract value, as 'initial advance' payment, on signing of contract.
 - b) 2nd stage payment at 35% of the contract prices, as a 'progressive advance' on pro-rata basis, on completion of procurement of bulk of materials, as certified by the Internal Audit Department of M/s BEL.
 - c) 3rd stage payment at 35% of the contract prices, as a 'progressive advance' on pro-rata basis, on completion of bulk Of Assembly and Fabricated parts, as certified by the Internal Audit Department of M/s BEL.
 - d) 4th stage payment at 10% of the values of the deliverables, on pro-rata basis, on production of proof of despatch of deliverables to the consignee unit, duly supported with the stipulated documents.
 - e) 5th (final) stage payment at 5% of the value of deliverables, on pro-rata basis, on the basis of a certificate by the consignee regarding receipt of stores in good condition and on submission of requisite documents.
- v) The rates claimed are as per approved rates in the respective Contract/Supply Order/Indent.
- vi) Inspection Note (copy No.1) in original which constitutes proof of despatch of stores is attached with 90%|95% bills. Claims for balance 10%|5% are supported by the receipted copy of inspection Note No. 2&5.
- vii) A register will be maintained to record all stages payment, including final payment.

- viii) After payment action of final bills, the original copy of Inspection note-cum-dispatch advice will be scheduled to the LAO concerned of the Consignee unit for requisite credit verification in consignee's ledger. The receipt of acknowledgement thereof will be watched, through Scheduling-out Register.

Audit and Payment of bills of M/s BDL Hyderabad

783. In addition to the general audit checks prescribed in OM Part II Vol-I for audit of Contractor's Bills, the following checks will be exercised:

- i) The claims are prepared as per prescribed format.
- ii) The claims are signed by the authorised officer of the Company.
- iii) The terms & conditions, as stipulated in the relevant Contract/Supply Order/Indent, have been complied with by M/s BDL. Generally, the contracts concluded by MOD with M/s BDL for supply of missiles authorises payment to BDL as follows:
 - a) 1st stage payment at 20% of the contract value, as 'initial advance', on signing of contract.
 - b) 2nd stage payment at 65% of the contract value, as 'progressive' payment for purchase of materials and costs booked against the contract, on the basis of a certificate from BDL that the total amount claimed as progressive advance is not more than the total progressive expenditure incurred by BDL against the contract up to the date of claim.
 - c) 3rd stage payment at 10% of the total value of each consignment of deliverables etc., on the basis of Inspection Note duly signed/certified by the Buyer's Inspector & dispatch advice & other prescribed documents.
 - d) 4th & final payment at 5% of the total value of each consignment of deliverables etc., on the basis of certificate by the consignee regarding receipt of the stores in good condition & other prescribed documents.
- iv) The rates claimed are as per approved rates in the respective Contract/Supply Order/Indent.
- v) Inspection Note (copy No.1) in original which constitutes proof of despatch of stores is attached with 90%|95% bills. Claims for balance 10%|5% are supported by the receipted copy of inspection Note No. 2&5.
- vi) A register will be maintained to record all stages payment, including final payment.
- vii) After payment action of final bills, the original copy of Inspection note-cum-dispatch advice will be scheduled to the LAO concerned of the Consignee unit for necessary credit verification in consignee's ledger. The receipt of acknowledgement thereof will be watched through Scheduling-out Register.

List of Registers and Reports and Returns

784. A list of Registers to be maintained and reports and returns due from F&A Section are given in **Annexure-A** of this chapter.

HAL-held-IAF stores

785. Consequent upon implementation of FPQ pricing policy for supplies made & services rendered by HAL to IAF wef 1st April 1995, vide GOI, MOD letter no. MOD (FIN)-107/EP/ HAL/AF/91-95 Dt. 24.08.1995, the system of HAL-held IAF stores in vogue was discontinued from the date of issue of ibid GOI letter. Accordingly, no credit transactions to these stores have taken place wef 31.08.1995. Hence the periodical audit of HAL-held IAF stores by the DAD (HAL) offices, existed till Aug 1995, has been dispensed with.

As per stipulations in the FPQ policy letter, balance of inventories available in HAL-held IAF stores as on 31.08.1995 would be used for repair/overhaul tasks of IAF or supplied to IAF units only, as and when such demands are received. FPQ letter also stipulates that for ROH tasks of IAF, the items shall be first be drawn from HAL-held IAF stores and only in case of their non-availability in HAL-held IAF stores, these items are to be drawn by HAL from its own stores.

It will be ensured by DAD (HAL) offices that:

- (i) In case of final claims pertaining to Repair/Overhaul jobs, the claim is supported with a list of items, duly certified by the IMM in-Charge of HAL division, for items drawn from HAL-held IAF stores duly supported with selective high value MRs/system generated voucher of IFS (ERP). In case no item is drawn from HAL-held IAF stores, a certificate from IMM in-Charge of HAL to the effect that requisite stores are not available in HAL-held IAF stores needs to be insisted upon.
- (ii) The reduction in FPQ material cost for items drawn by HAL from HAL-held IAF stores for repair/overhaul of Aircraft/Aero-engines/Rotables/Avionics/Accessories is invariably made at the rate at which the items have been valued in the FPQ/Bill of Material for the relevant year, duly escalated by approved escalation rate.
- (iii) The cost of the material payable, freight & insurance and profit payable to HAL is worked out after deduction of the value of HAL-held IAF stores used.
- (iv) In case of items drawn from HAL-held IAF stores for Cat 'B' site repairs of IAF aircraft, engine or rotatable and extra to schedule jobs, the drawal shall be treated as free issues while working out the cost of material.
- (v) No issues would be made from HAL-held IAF stores for task of any other Services/ organisations without specific approval of Air HQ.

Cannibalisation of serviceable parts by HAL

786. Cannibalisation, in HAL context, denotes 'removal of serviceable parts from one similar equipment (equipment 'A') and fitting the same in other similar equipment (equipment 'B') needing that part. It will be seen that:

- (i) The cannibalised parts/rotatables, removed from any equipment/airframe or aero-engine is invariably repaired/overhauled & fitted into similar equipment at a future period.

- (ii) Cannibalisation, if required, is done by HAL under intimation to concerned ED/AFLE.
- (iii) Cannibalised parts, if rejected during repair/overhaul, need to be replaced by HAL with Cat 'A' part/rotables.
- (iv) If HAL does not replace the part/rotables so cannibalised or does not take action for repair/overhaul of such parts, the value of such cannibalised part/rotatable shall be recovered from HAL at a price of Cat 'A' item (as reflected in the Bill of Materials/Spare Price Catalogue).
- (v) The DAD(HAL) offices are responsible for obtaining a periodical report on details of such cannibalised part/rotables (recoverable from HAL) from the EDs/AFLEs concerned for initiating recovery action from payment due to HAL & crediting the same to Govt. account.

Levy of Interest on Unutilised Advances

787. FPQ policy letter stipulates that interest on unutilised advances retained by HAL will be regulated as per the terms and conditions stipulated in the Govt. of India letter to be issued separately. It will be ensured that terms & conditions of such GOI letter, as and when issued, are adhered to in internal audit.

Standard Forms used in HAL work

788. Some of the prescribed 'Forms' commonly used in HAL work & which are auditable documents are dealt with below:

(A) IAFF (Q) 423(modified) – Inspection Note cum Dispatch Advise

This form serves the following purposes:-

For HAL: It acts as a basic document for having executed the work and for producing the same, in original duly certified by the CRI, to the AO (DAD) HAL along with final claims for obtaining payment. HAL representative has to certify that the services rendered/items supplied are not free services/replacements as per warranty clause of Standard Terms and Conditions laid down in the Govt. letter dealing with Warranty.

For Customer's Inspector (CRI): He has to certify that the item serviced/supplied has been inspected in accordance with the SOP/Technical specification/relevant terms of the Contract/Work Order/RMS Order and accepted as serviceable and is fit for Service use and that the work, for which the equipment was handed over to HAL, has been carried out by the HAL to the satisfaction of the IAF.

For Consignee unit: It acts as an authority based on which the items indicated therein are inspected for serviceability and brought on ledger charge duly endorsing Receipt Voucher No. and date.

For Paying Authority: It acts as a primary auditable document based on which it will be ensured in audit that the items are supplied/serviced and fit for operational use so that the payment be released to HAL. After payment action, the original will be scheduled to the LAO concerned of the Consignee Unit for linking & credit verification of the item in the stores ledger.

For LAO of the Consignee Unit: While carrying out local audit, the LAO links from the Receipt Voucher to Stores Ledger (and not vice versa) to ensure that the quantity of the item indicated in IAFF (Q) 423 has been brought on ledger charge duly indicating the progressive balance & authenticated by the authorized rep. of the consignee Unit. Receipt Voucher (RV) particulars will be mentioned in part III of the form. **(Specimen at Annexure-B (Appendix-I)).**

(B) Form Q 429 – Form for induction of IAF Equipment

This form contains Receipt & issue Voucher details of the equipment. These details are transcribed into Part I of IAFF (Q) 423. **(Specimen at Annexure-B (Appendix-II))**

(C) Form Q 471 – Form for placing R M S Order

This form is used for placing Supply Orders by Air Force authorities etc (under the delegated financial powers) for repair, overhaul, modification, etc, of IAF aircraft, aero-engines, their components and accessories and other technical equipment. **(Specimen at Annexure-B (Appendix-III))**

(D) Form Q 526 – Form for placing Local RMS Order

This form is used for placing Supply Orders by the IAF authorities at Equipment Depots (EDs), AFLEs, BRDs on HAL Divisions under the delegated financial powers vested with them for meeting their store requirements. **(Specimen at Annexure-B (Appendix-IV))**

(E) Form for ‘Outstation Jobs’ at IAF Detachments/Bases

As per the relevant provisions of FPQ letters in vogue, the claims for outstation jobs should be supported with a Certificate of the Chief Engineering Officer/Officer in Charge/Group Commander/STO of the IAF Detachment/Base on the prescribed Format for Outstation Jobs-Permanent/Detachment/ Temporary. This form shall clearly indicate the total number of days for which each direct worker has been engaged in the outstation IAF Detachment/IAF Base. The form shall also specify that the items repaired are not under warranty. **(Specimen at Annexure-B (Appendix-V))**

789. Important terms commonly used in HAL work are given in **Annexure-C.**

790. Abbreviations commonly used in HAL work are given in **Annexure-D.**

ANNEXURE - A

(As referred in para 259)

Registers maintained in F & A Section and their Fly Leaf Instructions

- | Sl. No. | Particulars |
|---------|--|
| 1. | Attendance Register. |
| 2. | Leave register. |
| 3. | Note book of Orders |
| 4. | Register of Dead Stock articles including Typewriters, Duplicators and other Office Equipments. |
| 5. | Register of Files |
| 6. | Despatch Register (separate Register for Hindi) |
| 7. | Inward diary. |
| 8. | Register of books of regulations, for distribution within the section. |
| 9. | Register of Initials of clerks/Auditors/Sr. Auditors SO(A)/AAO employed in the section. |
| 10. | Register of stock of stationery. |
| 11. | Register of Instructional Orders. |
| 12. | Advance Register (Cash). |
| 13. | Recovery Register (Demand Register). |
| 14. | Register of Bills. |
| 15. | Payment issue register. |
| 16. | Register of RMS Order (Air HQ/HQMC/ED/AFLE) |
| 17. | Register of Sectional Orders. |
| 18. | Register of EL/HPL. |
| 19. | Register showing expdr. exceeding Rs.5,000 awaiting Government Sanction. |
| 20. | Register of IAFF(Q) 423/f-530/Scheduled to LAOs. |
| 21. | Register of Forms. |
| 22. | Register of Service Particulars. |
| 23. | Register of Secret and confidential letters. |
| 24. | Register of pairing of CPLs. |
| 25. | Register of watching the progressive use of Hindi. |
| 26. | Register showing 90%, 10% and 5 % payment made to M/s BEL/ITI/BDL. |
| 27. | Register for recording payment for procurement of bought out items for 1 st & 2 nd line servicing. |
| 28. | Register of BEL/ITI/BDL etc. |

29. Register of advance payment made to M/s BEL/ITI/BDL etc.
30. Register of observations raised during concurrent checks of expenditure .
31. Register of Major items issued for the manufacturing of aircraft/engines.
32. Control register of Registers.
33. Register of sanctions.
34. Register of review orders.
35. Register for watching clearance of Defence L.D. Schedules.
36. Register of on account payments of custom duty.
37. Register of watching the progress of expenditure against allotment made to various divisions of HAL (Budget Register).
38. Scheduling Out Register.
39. Cash Book.
40. Register of Payments in respect of Deferred Revenue expense.
41. Register for recoding 'On-Account' payments for imported components and materials.
42. Register for recording 'On-Account' payments for other elements of cost.
43. Register of Provisional Payments.
44. Cash Disbursement Register.
45. Register of Old Records.
46. Register of time-expired records destroyed.
47. Register of Trunk Calls(Where DAD phone is installed)
48. Liveries Register
49. Register of repairs to bicycles.
50. Audit Progress Register for watching LTARs and PCDA's Inspection Reports.
51. Register of Deposit works for maintenance of DRDO assets.
52. Register of LTC advances.
53. Register to watch operations of fictitious code heads.
54. Register for adjustment of Way & Means advances.
55. Late attendance Register.

(For Fly leaf instructions, see OM Part II vol. II)

ANNEXURE - B

(As referred to in Para 264)

Appendix-I

Form IAFF (Q) 423(Modified) - HAL's Advice & Inspection Note

(for use in case of Supplies/Services Ex. HAL)

TO BE FILLED IN BY HAL DIVISION

For the under mentioned articles supplied/ Contract Ref No./RMSO No.....
service rendered to Sale/Work Order No.....
Name of the Division Scheduled Date of Delivery as per Order....
Full Postal Address HAL..... IAF Budget Code Head.....

Sl. No	Ref/Part No.	Description of articles (To be strictly as stated in the Contract/Order) along with sl. no. of items as mentioned in the Order)	Denomination	Quantity contracted	Quantity supplied so far	Quantity supplied now	Unit Rate	Amount	Remarks
1	2	3	4	5	6	7	8	9	10

Note: Divisions must state here whether packages not charged for are to be returned (yes or No)

1. Certified that the services rendered/items supplied are not free services/replacements as per warranty clause of Standard Terms & conditions.
2. Certified that the above items have been inspected, tested and they conform technical specification/SOP and meet terms & conditions of contract/RMSO/ Work Order and are accepted as serviceable and fit for service use.

Date.....
.....
(Name)
Designation of Division's Authorized Rep.

TO BE SIGNED BY REP OF DGAQA *
CUSTOMERS INSPECTOR'S CERTIFICATE

Certified that the above items have been inspected in accordance technical specification/SOP relevant terms & conditions of Contract/RMSO/Work Order and accepted as serviceable and fit for service use.

Signature
Inspection Officer
Date.....

*Not applicable in case of services rendered by HAL. CEO of respective IAF Base is authorized to sign as per relevant orders/authority for the services rendered at IAF bases.

...continued...

To be filled in by Consignee when accepting delivery At site	GOODS ISSUE VOUCHER		To be filled in by Consignor when items are sent to IAF units
	Name & Address of CONSIGNEE	Name & Address of CONSIGNOR	
Signature	Name.....	Name.....	Mode of despatch.....
Name	Address.....	Address.....	Date of despatch.....
Rank.....	State here distinctly whether free issue/On payment/on loan	Customer Material/ After OH	No. of marking on the package....
Service No.....			Gross weight of consignment.....
Unit.....	Or otherwise.		Despatch details(R/R No.)....
Authority.....			Period/year
			Signature of Officer issuing Stores

FOR INFORMATION AND RECORD AND NOT FOR PAYMENT PURPOSES

A & I Note No. Period of	Stores Inward Book	Posting on Stock	Entered in Loan Ledger	SSRC/TC Checked
Account	Consignment No.	Record Card/TC Along with the prices		
		Initials Date	Initials Date	Initials Date

Depot Issue voucher No. & Date :

Depot Receipt voucher No & Date :

Certificate by Depot QAS(Aero)

I certify that the pre-receipt inspection of the article charged for in this bill received from M/s HAL has been carried out and approved by me for service use.

QAS Stamp

Date:

Signature of Inspector

Certificate by Logistics Officer

Certified that the article received have been inspected and brought on charge, the contract conditions have been complied with and article supplied and/or service rendered are satisfactory.

Date:

Signature of Logistics Officer

Form IAFF Q 429 - Demand Issue & Receipt Voucher

TO BE FILLED IN BY CONSIGNEE Demand No..... Accounting Unit..... Receipt Voucher No..... Period.....	NAME & ADDRESS OF CONSIGNEE UNIT Address	NAME & ADDRESS OF CONSIGNOR UNIT Address	TO BE FILLED IN BY CONSIGNOR Depot No..... Date Received..... Mode of conveyance issue voucher No..... Period.....
--	---	---	--

Ref. No. (if any)	Part No.	Description (to be arranged in accordance with official nomenclature)	Reason for Demand	Denomination of Qty	Qty Reqd.	Qty supplied	Qty Posted	Case No.
1	2	3	4	5	6	7	8	9

-

FOR DEPOT USE ONLY

CAT "A"	CAT "B"	CAT "C"	CAT "D"	CAT "E"	U/C	RATE	PER	VALUE
10	11	12	13					

Package Details

Packer's Entered in Receipt Ledger	Packed by	Stores Inward Book	Consign-ment No.	Unpacked & Checked by	Entered on Tally Card
Initial Date	Initials Date	Initials Date	Initials	Initials Date	Initials Date

Certified that the above articles are demanded in accordance with index letter in column 4

Officer Demanding	Officer Issuing	Officer Despatching
<u>Equipment</u>	<u>Equipment</u>	<u>Equipment</u>
Signature	Signature	Signature
Name in Block letters	Name in Block letters	Name in Block letters
Rank	Rank	Rank

Date

Date

Date

To be signed by the Commanding Officer in case of "E" demand also when despatch by passenger train is called for.

Appendix-III

Form IAFF (Q) 471/IAFF (Q) 511 - R M S Order/Indent

RMS Order is raised under delegated powers in accordance with Govt. of India Ministry of Defence letter No.....dated.....

RMSO/Indent No.....DT.....

Air HQRs/HQMC File No.....

1. Please arrange to supply the stores noted in the attached list to(Name of the Unit) during(Month & Year)
2. Sanction of CFA has been obtained for purchase of stores in accordance with GOI, Min. of Defence letter No.....dated.....
3. This has the concurrence of IFA vide No.....
4. Funds will be made available in the financial year of delivery when payment falls due.
5. The cost is debitible to Major Head.....Defence Services Estimates. Code Head.....
6. Inspection will be carried out by
7. Items are to be suitably preserved and prepared of long term storage and adequately packed for transportation by rail/road.
8. Payment will be made in terms of MOD Letter No..... dated.....and as per the approved price catalogue/FPQ. Price quoted is for budgetary purpose and only on the basis of indicative cost. the pricing would be done as per the revised pricing policy of M/s HAL. The final payment would be regulated as per the approved price catalogue/approved contract.
9. Delivery shall be made as per delivery period in the RMSO.
10. Name and Tele No. of Officer to whom any enquiries arising from RMSO may please be made to:.....
11. On supply of order forward copy of the invoice/bill along with the SB/Bill of lading and shipping specification. Quality Certificate/Specification of quality/list of items clearly indicating the RMSO and contract details on the face of the invoice directly to

(SIGNATURE OF INDENTOR)
 RANK
 DESIGNATION
 UNIT

SCHEDULE OF REQUIREMENT

RMS Order to be placed on M/s. HAL.....

Air HQRs/HQMC File No.....

RMSO No.....

dated.....

VOCAB SEC :

Consignee:

SL. NO.	PART NO.	DESCRIPTION	DEN QTY	QTY REQD.	UNIT PRICE	TOTAL PRICE
					In Rs.	In Rs.

Total

INDENTOR)

(SIGNATURE OF

RANK
DESIGNATION
UNIT

Form IAFF (Q) 526 - Local RMS Order/Indent

LRMS ORDER ON M/s. HALDivision

LRMS ORDER No.....DATED.....

Please arrange to supply the stores as per the attached 'Schedule of Requirement'.

1. LRMS Order is raised under authority: MOD/Air HQRs No.....
2. Funds have been provided under the appropriate head in the sanctioned budget for the financial year (.....)
3. The cost is debitible to Major HeadMinor Head.....
4. The stores are to be supplied to the latest accepted IAF MOD standard.
5. The stores are required to be preserved for long term tropical storage and placed suitably to withstand the rigorous of a extreme climate and transportation by Rail/Road.
6. The payment will be made in accordance with Govt. of India MOD Letter No.....
This order is placed on fixed quotation furnished by HAL.
7. Packing/forwarding charges & Sales tax extra.
8. Inspection to be carried out by CRI, DGAQA,C/O M/s HAL.....
9. Name and telephone number of the officer to whom any enquiry arising from this LRMSO is to be made:.....
10. The stores covered by this LRMSO are required on URR demand.
11. Please intimate the firm delivery date within two months of the date of the LRMS Order. The delivery schedule should be qualified.
12. Consignee: Officer Commanding, No.....

(SIGNATURE OF INDENTOR)

RANK
DESIGNATION
UNIT

Schedule of Requirement

LRMS ORDER ON M/s. HALDivision

LRMS ORDER No.....DATED.....

Accounting Unit : Order of Priority.....

Date of Delivery : Name of the Consignee.....

VOCAB Reference.....

Sl. No.	PART Number	Description	DEN	QTY	UNIT COST	TOTAL COST
			QTY	ORDERED	Rs.	Rs.

(Rs. (in words).....)

Item demanded byVide their letter No.....DT.....

INDENTOR)

UNIT

(SIGNATURE OF

RANK
DESIGNATION

Appendix-V

Format for 'Outstation' Jobs (Permanent / Detachment / Temporary)

Division :

Customer Ref:.....

Job No.....

Place of Job :

Aircraft No.....

SRO Number:.....

(A)

Sl. No.	Name of Direct Worker	P.B No.	Date & Time of Dep. from Division	Expected Date & time of Arr. at Division	No. of Days (E - D)	Sundays/Holidays not worked	Net Working days (F - G)
A	B	C	D	E	F	G	H
Man Hours @ 7.5 Hrs/day		Extra Hours worked (if any)		Total working Hours (I+J)			
I		J		K			

(B) The following Materials were also used from HAL held IAF Stores/HAL Stores:

Sl. No. Part No. Description Unit Qty

Signature of Team Leader
NAME

Designation /P. No.

Counter Signature

Certified that the Direct Workers of HAL enumerated in (A) above have actually worked for the duration mentioned above and items mentioned in (B) above were issued from HAL Stores.

Signature of Team leader with
Name & Designation
HAL

Signature of Chief Engg. Officer/Officer in-Charge
Group Commander/STO
(with stamp, name & designation)

Note: (1) Materials used from HAL Stores, if any , will be reimbursed on Cost plus basis.

(2) Part No. Description, Qty used should be indicated and signed by Station/Base i/c

(3) Column No. D & E of (A) includes journey period @ 7.5 hours per day.

ANNEXURE - C

(As referred to in Para 264)

Important 'Terms' used in HAL Work

Some of the important 'Terms' used in day to day working in the AO (DAD) HAL offices are given below.

Air Frame

An aeroplane that is installed without engine(s). This term includes glider also.

Allotment Letter

It is the authority letter for allocation of a particular 'Machine' (such as Aircraft/engine/Rotable in case of HAL) to a particular formation or unit by the allotting authority (Air HQRs or Command HQRs).

Amortization

A method of spreading the total amount of DRE over the total number of products.

Assembly

It is a major piece of equipment comprising more than one item having a reference number.

Bin Cards

They are the quantitative documents maintained in respect of each item held in stores. A separate and distinct Bin Card is opened for each item of spares. The stores officer in charge will allot a serial number to each and every bin card from a Master Register of serial numbers maintained by him for this purpose and initial such cards to establish its authenticity. Every new bin card opened for a new item of spares will be similarly identified both by the serial number and initial of the officer who authorizes opening a new bin card. Every transaction, be it a receipt or issue, shall be entered in the Bin Card and running balance struck after each transaction.

Components

They are separate parts of equipment comprising items such as transferable equipment of airframes, aero-engines, etc.

CAT 'B' items

An item is categorized as CAT 'B' if the damage (Repairs) sustained by the item is not repairable at the site and is required to be removed to the Repair Agency for specific repairs (fourth line servicing). Since such repair jobs very often require replacement of damaged or other components of item which essentially requires provisioning of spares in advance, the factor of probable CAT 'B' accidents in future is also to be taken into account in the formulation of long-term repair task.

CAT 'E' items

An item is categorized as CAT 'E' if the damage sustained by the item in an accident is beyond economical repair or is missing. An item is treated as 'beyond economical repair' when the cost of its repair is more than 50% of its replacement cost.

Cannibalisation

Process of removal of serviceable parts from one similar equipment (equipment 'A') and fitting the same in other similar equipment (equipment 'B') needing that part.

Contract

A proposal or offer when accepted is a promise; a promise and every set of promises forming the consideration for each other is an agreement; and an agreement, if

made with free consent of parties competent to contract, for a lawful consideration and with a lawful object, is a contract. (Authority: Sections 2,10,11,13 & 14 of Contract Act 1872)

Capital Expenditure

Significant expenditure incurred with the object of acquiring tangible assets of a permanent nature or enhancing the utility of existing assets shall broadly be defined as Capital Expenditure. Capital Expenditure is generally met from receipts of capital nature. Expenditure of a capital nature shall be the expenditure with the object of increasing assets of material and procurement characters. It includes charges for first construction and equipment of a project and also charges for immediate maintenance of the work while not yet open for service (Rule 90 GFR-2005).

Cost-plus Contract

It is a contract in which the price payable for supplies and services under the contract is determined on the basis of actual cost of production of the supplies and services concerned *plus* profit either at a fixed rate per unit or at a fixed percentage on the actual cost of production.

Cost, Insurance and Freight (CIF)

It means that the seller delivers when the goods pass the ship's rail in the port of shipment. The seller must pay the costs and freight necessary to bring the goods to the named port of destination. Further the seller also contracts for marine insurance against the buyer's risk of loss of or damage to the goods during the carriage and pays the insurance premium.

Deferred Payment

This is the term denoting an issue in respect of which the recovery of the value of the item issued is effected subsequently from a bill or bills rendered by the consignor for equipment supplied or services rendered by him.

Delivery Date

Delivery date is the date agreed to by supplier by which the items indented in the RMSO etc. will be supplied to Buyer.

Equipment Depot

An Unit of Air Force stocking a range of equipment for issue to consumer units.

External Arisings

Rotables falling due for repair/overhaul at operating units after having completed the overhaul life, also termed as Time Between Overhaul (TBO), and rotables prematurely withdrawn from service. Such repairables are termed as 'External Arisings'.

Ex-Works

It means that the seller delivers when he places the goods at the disposal of the buyer at the seller's premises or another named place (i.e. works, factory, warehouse etc.) not cleared for export and not loaded on any collecting vehicle. It otherwise means minimum obligation for the seller and the buyer has to bear all costs and risks involved in taking the goods from the seller's premises.

Internal Arising

Rotables removed from the aircraft undergoing major inspection/CAT B repairs at the Repair Agency and subjected to overhaul. These are termed as 'Internal Arisings'.

Inter Factory Demand (IFD)/Inter-Divisional Transfer Orders

It is an arrangement between two divisions of HAL wherein due to lack of repair/OH facility at one division, serviceable equipment/rotables, stripped from the aircraft/aero-engines, are sent by the Main Air Frame division to other sister divisions for necessary repair/OH and return to the main division for eventual fitment in to the aircraft/aero engine concerned. This arrangement will be made through a mechanism called 'Inter Factory Demand'.

Indent

A formal order/requisition, prepared on prescribed forms, placed by the provisioning authority on the procurement/supply agency for supply of equipment/items indicated therein. This term also includes RMS orders, Supply orders, Purchase orders placed on Public Sector Undertakings (like HAL) and also direct purchase orders. All necessary details of item, including the quantity, denomination, price, specification, scope of supply, delivery period, inspecting agency, paying authority etc are to be clearly indicated in the indent for prompt procurement and payment action.

Inventory

A list containing the description and quantities of all equipment (other than consumable stores) issued to a flight or section commander in connection with his stated duties and for which he is personally responsible. In a wider sense, this term is also used to denote the entire assets of plant, machinery, tools and spares held by an organization.

Indigenous Procurement

Procurement from indigenous sources is called indigenous procurement. It is the policy of the Govt. to encourage indigenization, particularly in the field of defence, to achieve self-reliance.

Job Cost Report

It is one of the cost documents prepared by the Costing section. It is prepared for each work order and contains the cost collected by Cost factors. The material cost noted in it is reconciled with the total of Material Store Credits and adjustments after eliminating the element of material overhead already included in the cost.

Lead Time

Lead time is the time that elapses from the calculation of requirements till the time materials are received by the consignee and are ready for issue. Lead time is of fundamental importance in determining inventory levels. The level of an inventory of an item depends upon the length of its lead time. The longer the lead time, the higher is the average inventory. The lead time has two components: administrative lead time and delivery lead time.

Life-expired Items

Certain airframes/aero-engines have the recommended specific total spans of life in terms of flying/calendar year after the expiry of which they are no longer be inducted servicing etc. and thus phased out of service being 'life expired'.

Liquidated Damages

Compensation of loss on account of late delivery where loss is pre-estimated and mutually agreed to is termed as the Liquidated Damage (LD). For imposition of LD, there is no need to establish actual loss due to late supply.

Maintenance Equipment

Equipment, whether consumable or non-consumable, which is required for repair, maintenance, overhaul, test, preservation or operation of an authorized equipment.

Material Requisition

It is the authority for withdrawal from stores the required items. It is prepared in the prescribed format. It should be signed by the person authorized to withdraw from HAL-held-IAF Stores and should show information such as the part number, description, quantity and condition as well as work order reference to which the part is indented. In case of Class 'A' and 'B' items, the MR should be cross referenced to the Coordinated Parts List.

Man Hour Rate

It is the product of total labour cost and other overhead expenses of a division of HAL divided by the estimated man hours available in the division.

Modification

A design change to an item of equipment, which is introduced to: - (a) correct a fault, (b) facilitate production, (c) reduce servicing requirements, and (d) improve operational efficiency or reliability.

Modification Kit

A modification kit consists of parts required for incorporation of a modification.

Non-Production of Overheads (NPOH)

NPOH is an indirect expenditure which does not form part of the Production cost. Such expenses, which cannot be allocated to a product/production activity directly, will be apportioned to production departments on some equitable basis.

Paying Authority

Paying Authority means the office of the PCDA/CDA or a sub-office working under the PCDA/CDA or an authority holding cash assignment/imprest and duly authorized to make payment for procurement.

Provisioning of spares

Calculating and obtaining the probable or actual requirements of spares.

Premature withdrawal (of engines)

Although an engine is normally expected to 'arise' for overhaul after the completion of its Time-Between-Overhaul (TBO), in some cases engine develops snags due to failure of certain components prior to the completion of TBO necessitating fourth line servicing. Such a phenomenon is known as 'premature withdrawal' of engines.

Reduced To Produce (RTP)

Breaking down an assembly to its base materials and dispose off the arisings as salvage by weight.

Receiving Reports

When materials ordered by HAL on Purchase Orders/Contracts are received in the Goods Inward Stores, a Report, in the prescribed format, is prepared by the Stores Section which is known as Receiving Report. The RR should contain information such as Purchase Order No., Way Bill No., Bill lading/air Consignment Note/Railway Receipt No., Vase Marks, Packing Sheet item No., Unit description, Part/Stock No., quantity advised, quantity received and Shortage/surplus found.

Repairable (items)

An equipment which is categorized as repairable after inspection either within the maintenance organization or by civil repair agencies.

R. M. S. Order

It denotes Repair, Manufacture and Supply Order. An order placed on a civil repair agency for the repair/OH modification, etc., of Air Force Equipment or for manufacture and supply of AF technical equipment in respect of ad hoc requirements.

Rotables

These are items which are capable of being repaired and reused. This term is used in the AF to denote items which:-

- a) are expected to show turnover at the units as a result of normal usage;
- b) are considered economical to repair for reuse; and
- c) can be replaced by a unit and must be returned to the appropriate repair agency for repair/overhaul when beyond the capacity or authority of the unit to repair.

Revenue Procurement

Expenditure of revenue nature includes all subsequent charges for maintenance and all working expenses incurred for upkeep of the project as also renewals and replacements, additions, improvements or extensions, the necessity of which have been established and accepted by the Govt.

Indigenous Procurement

Procurement from indigenous sources is called indigenous procurement. It is the policy of the Govt. to encourage indigenization, particularly in the field of defence, to achieve self-reliance.

Servicing

Operations necessary to maintain an equipment in use in a serviceable condition.

Serviceable (Parts)

The condition of an equipment when it does not have any known defect and is fit for immediate use.

Spare Parts

Parts required to replace components of an article or equipment specific to that article or that type of article.

Standard Man Hours (SMH)

It is the number of man hours required to complete a job, all indices being ideal and efficiency being 100%.

Stores

The term 'stores' generally means, all articles and materials purchased or otherwise acquired for the use of Govt. It not only includes expendable, consumable and issuable articles in use or accumulated for specific purposes but also articles of dead stock of the nature of plant, machinery, tools and machinery spares, instruments, furniture, equipment, fixtures, armaments, victualling, mess-traps, live stock and clothing etc. However, it does not include books, publications, periodicals etc., in a library.

Task (Repair/Overhaul)

They are special issues of equipment by Depots (like those representing the bulk requirements of units and formations or rearmament) which by reason of abnormal size, urgency or security could not effectively be made under the normal procedure for demanding equipment. They are consolidated issue instructions originated by the provisioning authority.

Tasks are issued to Equipment Depots for special issue of equipment to units on formation or re-equipping and also for issue of overhaul spares to repair agencies, except where such requirements are catered for by overhaul spares depots.

Work Order

Work Order is the authority for taking up the work in the Production Shops. Manufactured Parts are arranged in different batches against one Work Order.

'X' List item

Items, whose pattern of consumption is uncertain, are known as 'X' list items. Payment for fitment of such items by HAL will be paid extra based on actual consumption.

(Authority: Indian Air Force Accounting Procedure (IAP) 1541)

ANNEXURE – D

(As referred to in Para 265)

Abbreviations commonly used in HAL work

Abbreviation	Full form
AALC	Army Aviation Liaison Cell
AETBRDC	Aero-Engine Test Bed Research & Design Centre
AFLC	Air Force Liaison Cell
AFLE	Air Force Liaison Establishment
AFFC	Air Force Finance Cell
AJT	Advance Jet Trainer
AMC	Annual Maintenance Contract
ALH	Advanced Light Helicopter
AOG	Aircraft On Ground
ARDC	Aircraft Research & Design Centre
ASR	Air Staff Requirement
ASTE	Aircraft & Systems Testing Establishment
ATP	Acceptance Test Procedure
ATF	Aviation Turbine Fuel
ATGM	Anti-Tank Guided Missile
AURDC	Aircraft Upgrade Research & Design Centre
BC	Bench Check / Bangalore Complex
BDL	Bharat Dynamics Limited
BEL	Bharat Electronics Limited
BER	Beyond Economical Repair
BOI(F)	Bought Out Items (Foreign)
BOI (I)	Bought Out Items(Indigenous)
BOM	Bills of Material
BTT	Basic Turboprop Trainer (aircraft)
C ENG. O	Chief Engineering Officer
CAT 'E'	Category 'E' (Item)
CEMILAC	Centre for Military Airworthiness Certification
CFA	Competent Financial Authority
CIF	Cost Insurance & Freight
CIS	Commonwealth of Independent States
CMD	Composite Manufacturing Division
CNC	Contract Negotiation Committee

Abbreviation	Full form
AALC	Army Aviation Liaison Cell
COTS	Commercially Off The Shelf (Items)

CPL	Coordinated Parts List
CPP	Cost Proposal Proforma
CRE	Chief Resident Engineer
CRI	Chief Resident Inspector
CRM&SO	Covering Repair Manufacture & Supply Order
CSF	Central Section Forging
DFP	Directorate of Financial Planning (Air HQ)
DI	Defect Investigation
DCA	Director Cost Analysis (Air HQ)
DMG	Digital Map Generator
DPR	Detailed Project Report
DPM	DEFENCE PROCUREMENT MANUAL
DPP	Defence Procurement Procedure
DRE	Deferred Revenue Expenditure
DRCIU	Dual Redundant Common Interface Unit
DTDP(Air)	Directorate Of Technical Development & Production (Air)
DGAQA	Directorate General Of Aeronautical Quality Assurance
ED	Equipment Depot
ERV	Exchange Rate Variation
ETSW	Extra To Scheduled Work
ESP	Engineering Support Package
ERP	Enterprises Resource Planning
FCQ	Fixed Cost Quotation
F & F	Foundry & Forge (division)
FFE	Free Foreign Exchange
FOH	Full Overhaul
FPQ	Fixed Price Quotation
FT	Functional Test
FAT	Factory Acceptance Test/Trial
FGFA	Fifth Generation Fighter Aircraft
GIV	Goods Issue Voucher
GHE	Ground Handling Equipment
GSE	Ground Support Equipment

GTRDC	Gas Turbine Research & Design Centre
HAL	Hindustan Aeronautics Limited
HJT	Hindustan Jet Trainer (Aircraft)
HPT	Hindustan Piston Trainer (Aircraft)
IED	Industrial Engineering Department
ISPL	Illustrated Spare Parts List
IFD	Inter Factory Demand
IDTO	Inter Divisional Transfer Order
IJT	Intermediate Jet Trainer (Aircraft)
INCOTERMS	International Commercial Terms
IMGT	Industrial & Marine Gas Turbine
IMM	Integrated Material Management
IOH	Interim Overhaul
IFS	Integrated Financial System
JTA	Jaguar Trainer Aircraft
JRI	Joint Receipt Inspection
LCA	Light Combat Aircraft
LMA	Locally Made Articles
LMC	Local Modification Committee
LRMSO	Local Repair Manufacture & Supply Order
LRUs	Line Replaceable Units
LSP	Limited Series Production
LUH	Light Utility Helicopter
MCSRDC	Mission & Combat Systems Research & Design Centre
MLG	Main Landing Gear
MDA	Managing Director Accessories (complex)
MDM	Managing Director Mig (complex)
MHR	Man Hour Rate
MI	Major Inspection
MMRCA	Medium Multi Role Combat Aircraft
MOD KITS	Modification Kits
MOQ	Minimum Ordering Quantity
MR	Material Requisition
MRLS	Manufacturer Recommended List of Spares
MRO	Maintenance Repair Overhaul
MS	Maintenance Spares
MSD	Management Services Department

MTA	Multirole Transport Aircraft
MTL	Material Transfer Voucher
NLG	Nose Landing Gear
NPOH	Non Production Over Head
NRC	Non Recurring Cost
OEM	Original Equipment Manufacturer
OFB	Ordnance Factory Board
OCTSS	Officer Commanding Technical Support Squadron
PAR	Precision Approach Radar
PC	Price Catalogue
PDI	Pre Dispatch Inspection
PDO	Part Disposal Order
PHU	Production Hold Ups
PO	Purchase Order
PPR	Preliminary Project Report
PSSR	Preliminary Stripping & Survey Report
PRP	Performance Related Pay
PTA	Pilotless Target Aircraft
RCMA	Regional Centre for Military Airworthiness
RMA	Ready Made Articles
RMSO	Repair Manufacture & Supply Order
RPP	Revised Pricing Policy
RTP	Reduce To Produce
ROH	Repair & Overhaul
RWR	Radar Warning Receiver
RWRDC	Rotary Wing Research & Design Centre
SLRDC	Strategic Electronics Research & Design Centre
SPC	Spares Price Catalogue
SMT	Special Maintenance Tools
STE	Special Test Equipment
SMH	Standard Man Hour
SBI	Stand By Instruments
SDC	Sundry Direct Charges
SOC	Signal Out Certificate (for Aircraft/Helicopter)
TARDC	Transport Aircraft Research & Design Centre
TAT	Turn Around Time
TOT	Transfer Of Technology

TBC	Tandem Beam Carrier
TBO	Time Between Overhaul
TOL	Taken On Line (Taken on overhaul line of Aircraft, engine or rotatable)
TOTE	Table Of Tools and Equipment
TTLE	Total Technical Life Extension (of Aero-engines)
UHF	Ultra High Frequency
URR	Urgent Repair Requirement
VAT	Value Added Tax
VL	Vacation Leave
VHF	Very High Frequency
VOR	VHF Omni Range
WDR	Work Done Report
WDT	Wing Drop Tanks
WIP	Work In Progress
WSI	Weapon System Integration
ZZS	Zero Zero (hours) Servicing
