

विश्लेषण-III

Vishleshan-III

A Compendium of Vigilance Interventions



Published in 2023 by HAL Vigilance Department, Bengaluru

SPECIAL THANKS TO

Shri. C B Ananthakrishnan, Chairman & Managing Director, HAL
for his guidance and support.

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CONTENTS

- 1 Irregularities in procurement of compressors

- 2 Irregularities in work package for engagement of assistants

- 3 Cheating and forging of HAL letterhead

- 4 Manipulation of financial data by misusing official position for personal gain

- 5 Irregularities in placement of PO for stores management

- 6 Irregularities in promotion of officers

- 7 Irregularities in procurement of sportswears

- 8 Irregularities in issuance of debarring letter to the contractor

- 9 Irregularities in the attendance of visiting consultant doctors and their remuneration

- 10 Irregularities in placement of PO for cargo consolidation & clearance services

- 11 Submission of forged/fake educational certificates to gain employment

- 12 Demand of cash from vendor

Contd...

- 13 Demand and acceptance of money for providing contractual job

- 14 Demand and acceptance of money by promising job

- 15 Availing of canteen allowance during vacation leave

- 16 Irregularities in execution of work package contract

- 17 Non-compliance of PO terms in procurement of PU Thinner

- 18 Payment of wrongful HRA to field service representatives (FSRs)

- 19 Discrepancies in tender evaluation

- 20 Receiving illegal gratification

- 21 Irregularities on shipment of aero engines/accessories by the transport contractor

- 22 Inordinate delay in award of contract

- 23 Fake and forged documents submitted to secure job



FOREWORD

VISHLESHAN, spearheaded by team vigilance-HAL, is a preventive vigilance initiative. Its effectiveness shines through in its dedicated effort to sensitize officials within our organization. A crisp and impactful endeavour, VISHLESHAN consistently makes a lasting impact by enlightening the readers.

The recently unveiled third edition of VISHLESHAN compendium in your hands, signifies another commendable stride by team vigilance. It aims to raise awareness among executives, guiding them to avoid common pitfalls as a pre-emptive measure. The publication excels in understanding issues with vigilance connotation, particularly focusing on creating adequate awareness. Sensitization and heightened awareness emerge as key tools in combating problems of corruption.

I urge all readers to take time to carefully delve into its contents, giving it the thorough reading, it deserves. This compilation not only provides information on matters related to vigilance interventions in HAL, but also provides us with the insights on day to day functioning. It also advocates an open-minded approach and emphasizes the importance of critical analysis in dealing with such challenges.

I compliment the vigilance team for their outstanding contribution to this initiative.

Jai Hind

C B Ananthakrishnan

Chairman and Managing Director
Hindustan Aeronautics Limited.



FOREWORD

It gives me immense pleasure to inscribe few words on the occasion of publication of third edition of “VISHLESHAN- a compendium of vigilance interventions”.

In an attempt to inculcate a spirit of vigilance awareness amongst the employees and reaffirm our commitment to curb the menace of corruption, a modest effort has been made by the vigilance department to publish this booklet.

As the title “VISHLESHAN” denotes, the compendium contains analysis of vigilance interventions that have occurred in the recent past. Contents of this compendium will be quite informative. It will be helpful in analyzing the omissions & commissions made and lessons to be learnt for avoiding the same in future. I request the readers to go through it with diligence and try to avoid similar lapses or mistakes in their working arena, which will ultimately serve the purpose of bringing out this booklet.

I take this opportunity to express my gratitude to the management and all concerned who have helped in publication of this booklet. I also extend my appreciation to the vigilance team for the relentless endeavour put in for compilation & publication of this booklet.

Kalyani Sethuraman

Chief Vigilance Officer
Hindustan Aeronautics Limited

IRREGULARITIES IN PROCUREMENT OF COMPRESSORS

BRIEF OF THE CASE

One of the divisions had purchased five compressors required for a Machine. The authorised service provider (ASP) sold each compressor at a price which was five times higher than the price of Original Equipment Manufacturer (OEM) of the compressor. This has caused an additional expenditure of about Rs.10 lakhs (approx.) to the company.

DEVIATIONS / IRREGULARITIES OBSERVED

Although the part number and compressor OEM details were available, the indenters did not make any efforts to check the price from OEM of the compressor. Also, they did not recommend to procure the compressor from its OEM or their authorised dealers.

The division had purchased the 'XYZ' make compressors required for "ABC" make machine in the years 2019 & 2021 from M/s ASP, authorized service provider of 'ABC' make machine at a price 5 times higher than the price of compressor OEM i.e. 'XYZ'. This has caused an additional expenditure of Rs. 10.12 Lakhs to the company.

'M/s ASP' also made a false claim that the 'XYZ' make compressor was compatible and configured only with 'ABC' make machine. However, during the investigation, 'XYZ' clarified that their compressor was not configured to any particular machine. As an

outcome of the investigation, 'M/s ASP' had reimbursed the additional expenditure of Rs.10.12 Lakhs to the company.

LESSONS TO BE LEARNT

- Indenter has to inquire the market prices of maintenance spares especially from spares OEM before procurement from any other sources.
- Sometimes the authorised distributors may be making false claims to procure spares from them only at high prices and all such claims are to be checked before procurement.

SYSTEMIC IMPROVEMENT SUGGESTIONS

- While preparing estimation for procurement of spares of an equipment/machines, budgetary quotation necessarily to be taken from OEM/Authorised distributors instead of AMC service provider or other local vendor. Spares are necessarily to be procured from OEM or their authorised distributor.
- Due to any compelling reasons, if the spares are to be purchased from equipment/machine OEMs, prices obtained from spares OEM shall only become basis for provisioning and order placement. Further, reasons for not resorting to procurement from spare part OEM must be brought out in provisioning approval.

IRREGULARITIES IN WORK PACKAGE FOR ENGAGEMENT OF ASSISTANTS

BRIEF OF THE CASE

The Technical Examiner (TE), Central Vigilance Commission (CVC) had carried out intensive examination of purchase order placed by one of the divisions of HAL for “work package for assistance activities in offices of the division”. Based on the observations during CTE, a detailed investigation was carried out on the irregularities w.r.t seeking clarifications and documents on the essential criteria subsequent to opening of technical bid.

DEVIATIONS / IRREGULARITIES OBSERVED

Tender was floated on GeM portal in two-bid system. In the terms and conditions of the tender, the following were mentioned under essential criteria:

- Solvency certificate was required to be submitted which is issued within a period of 12 months from the final date of submission of tender.
- Submission of copies of balance sheets and profit & loss account for last five years along with bid.
- In technical criteria, number of years in operation, number of man power on rolls and quality related certificates was mentioned.

It is noted that M/s ABC had not submitted the solvency certificate. M/s PQR had submitted the solvency certificate in which date of issue

was not mentioned and M/s XYZ submitted the solvency certificate of lesser value than mentioned in the tender. Also, these vendors haven't submitted the balance sheets and profit & loss account as mentioned in the essential criteria of tender.

As per prevailing company policy, technical bid shall be evaluated based on the available documents submitted by the bidder. Only technical clarifications can be sought from the bidder on its bid. Similarly, as per DoE guidelines, clarification & documents of historic nature i.e which were pre-existed at the time of tender opening, only can be sought from the bidders.

Whereas, in the instant case, fresh documents like solvency certificate and balance sheets pertaining to essential criteria were sought instead of evaluating the bid only on submitted documents. Also, clarifications and fresh documents were asked on the essential criteria by an officer without the written approval of TEC. By way of doing this, additional allowance was given to the bidders after opening of tender which was not in line with CVC guidelines.

LESSONS TO BE LEARNT

As per DoE guidelines, after opening the tender, the shortfall information/ documents should be sought only in case of historical documents which pre-existed at the time of the tender opening and which have not undergone change since then. These should be

called only on basis of the recommendations of the TEC.

Verbal discussion held between Chairman, TEC and dealing official/s for seeking any clarifications from the bidders needs to be recorded.

SYSTEMIC IMPROVEMENT SUGGESTIONS

- Technical and essential criteria should be clearly defined in the tender document.
- It should be clearly mentioned in tender document that evaluation of essential

criteria will be made only on the basis of submitted documents. No clarification will be asked from the bidders on the essential criteria.

- No clarification on the essential criteria should be asked from the bidders as mentioned in the Para 7.3.5 of DoE guidelines for procurement of goods.
- Any clarification from the vendor should be asked only after the approval of all the TEC members.



CHEATING AND FORGING OF HAL LETTERHEAD

BRIEF OF THE CASE

A written complaint filed by two individuals jointly revealed about a case of fraud. This fraudulent incident revolved around a fabricated auction deal orchestrated by an outsider named Mr. X.

Mr. X, with the assistance of an employee from the company, deceived the complainants. The victims collectively paid Rs.18 Lakhs (Rs.9 lakhs each) under the belief that they were participating in a legitimate 15-tonne aluminium scrap auction deal from the company. Victims were informed that Mr. X had successfully won the e-auction by showing a fake auctioning deal letter in HAL letterhead and collection of aluminium scrap was awaited. To add to the deception, an employee from the company validated Mr. X's false and misleading claims when the victims visited the security gate of the company for verification.

Although, Mr. X masterminded this fraudulent act, the investigation revealed the clear and compelling evidence pointing to the direct involvement of a company employee.

DEVIATIONS / IRREGULARITIES OBSERVED

- Company employee had a well-established association with Mr. X, as evidenced by numerous financial transactions between them, highlighting their close ties to the fraudulent activity and strong collaboration.

- HAL employee not only actively participated in the fraudulent activities involving outsiders but also used the bank account details of a fellow contract labour, who had been working with him for long period. The contract labour facilitated Mr. X's criminal actions by allowing to use his bank account information for illegitimate financial transactions.
- In this case, the said HAL employee derived personal benefits of Rs. 24,000 from the illicit funds amounting to Rs.2 lakhs which were initially deposited into the account of the said contract labour.
- The case is also under investigation by police authorities under various relevant sections of IPC i.e. U/s 34, 406 and 420 (criminal breach of trust, cheating & dishonesty etc.)

LESSONS TO BE LEARNT

- Awareness needs to be created among the workforce, particularly contract labourers, about the importance of safeguarding their personal financial account details. Sharing such information could potentially lead to misuse by individuals in their proximity.

SYSTEMIC IMPROVEMENT SUGGESTIONS

- Awareness needs to be created among the prospective bidders by mentioning in the company website that auctioning of scrap are made only through online (Metal Scrap Trading Corporation-MSTC).

MANIPULATION OF FINANCIAL DATA BY MISUSING OFFICIAL POSITION FOR PERSONAL GAIN

BRIEF OF THE CASE

A source information was received by vigilance department w.r.t wrongdoing of an employee working as a case worker in the payroll section. He has been assigned with responsibility of attendance processing for payrolls. Initially, it was observed that this employee manipulated his own salary deductions in the ERP (IFS) system related to loans he had availed from a co-operative Society.

The investigation revealed that the said employee misused the ERP (IFS) access rights provided to him by manipulating the EMLs against the loans availed by him. Further, it was observed that he modified his own attendance records by misusing his ERP access rights.

DEVIATIONS / IRREGULARITIES OBSERVED

- The said employee did not have the authorization to alter the ERP and attendance data for workmen category. His role was restricted to modifying records solely for officers & contract labour categories which required proper justification and approvals.
- ERP log history revealed that the employee has tampered the deduction codes against the EML of his own loans on nine occasions by enabling the check box by name "stop monthly Instalment".
- Payroll authorities were totally dependent on representatives of the external service provider of biometric attendance system as none of them is aware about the software used by the vendor.
- He has made 156 unauthorized alterations w.r.t. his movements over a period of 14-months by misusing the ERP rights provided to him. Out of those, 43 modifications were made to convert his personal movements into official movements without any approval from the competent authorities.

LESSONS TO BE LEARNT

- Close supervision by the officer in charge is crucial to prevent such misuse by anyone working in a sensitive department.
- This case underlines the significance of implementing job rotations.
- The system should not permit individuals to modify their own data in ERP.
- Control of the biometric attendance system should rest with company authorities rather depending on external service providers.
- Sharing of administrative ERP rights should be restricted.

SYSTEMIC IMPROVEMENT SUGGESTIONS

- Job roles for each case worker should be clearly documented to enhance understanding of their responsibilities, promoting transparency and accountability in the workplace.
- An effective monitoring system such as the "makers & checkers" concept to be implemented.
- Training to be imparted to the departments like IT, HR and payroll section on the biometric attendance system by the service provider.
- An alert system should trigger a notification to his reporting officer if any employee attempts to modify their own data in the ERP.



IRREGULARITIES IN PLACEMENT OF PURCHASE ORDER FOR STORES MANAGEMENT

BRIEF OF THE CASE

One of the divisions has sought Expression of Interest (EOI) for outsourcing of stores activities on work package basis. Five bidders have shown interest against EOI and submitted their budgetary quotes. Based on the budgetary quotes, estimate was prepared and approval was obtained from competent authority for tendering. Manual tendering was carried out on limited tender basis. Purchase order was placed for a total value of Rs.4.60 cr. (approx.) on L1 vendor. However, during pre and post tendering, Finance and IMM officials extended favours to L1 vendor thereby violating various guidelines of the company and leading to financial loss to the organization.

DEVIATIONS / IRREGULARITIES OBSERVED

- Scope of work was changed during admin approval when compared to the scope of work sought through EOI. Concerned officials failed to seek fresh budgetary quote for the purpose of estimation based on the change in scope.
- Out of five budgetary quotes, three budgetary quotes including the lowest one were ignored and estimate was prepared based on the two budgetary quotes only.
- Approval was taken for the extension of tender due date from the junior officer, even though CFA was present on duty.
- One of the bidders was allowed to submit his technical bid after opening of tender and the same was not brought to the notice of head of technical evaluation committee (TEC).
- Financial bid was opened prior to final recommendations of TEC. This fact was suppressed from competent authority while obtaining approval for opening of financial bid.
- Outdated format of Integrity Pact (IP) was enclosed along with the tender document and the same was accepted and signed by competent authority due to negligence of concerned officials.
- As per admin approval, two officers and two workmen will continue to remain in stores to monitor and oversee the stores activities after outsourcing the stores management. However, five officers and ten workmen continued working in the stores during contract period thereby causing avoidable expenditure of Rs.3.72 cr (approx).
- Functioning of the stores to be managed by applying latest techniques like barcode/ QR code, RFID Tags etc. However, same was not ensured during execution of contract.
- Security deposit for an amount equivalent to 10% contract value needs to be submitted by the contractor before taking over of the stores management. However, same was received in the form of bank guarantee after delay of eight months.

- As per T&C of contract “neither parties of this contract shall be entitled without the other party’s consent to assign or transfer to a third party all or part of the benefits or obligations of this contract”. However, contractor was allowed to deploy manpower through sub-contracting without obtaining approval from competent authority. Payments were made to contractor based on the proof of ESI & PF submitted by a sub-contractor.

LESSONS TO BE LEARNT

- All budgetary quotes received have to be considered for preparing estimation.
- Subsequent to change in scope of work, estimates have to be raised accordingly.
- After opening of technical bid, documents pertaining to essential criteria should not be sought from the bidders.
- Price bid should be opened after receiving recommendations from the technical evaluation committee.

- Payment has to be made to the vendor as per terms & conditions of the contract.
- Vendor should not be allowed to outsource any activities to the 3rd party without the consent of HAL.
- Security deposit to be collected from the vendor before commencement of work.

SYSTEMIC IMPROVEMENT SUGGESTIONS

- Works procedure to be followed by the divisions for any contract involving full time deployment of manpower in future in accordance with the company guidelines.
- Penalty clause needs to be incorporated in purchase manual for delay in submission of security deposit in line with works manual.
- Payment should be recommended by the user department based on proof of PF & ESI submitted by the contracting agency rather by the sub-contracting agency.



IRREGULARITIES IN PROMOTION OF OFFICERS

BRIEF OF THE CASE

Five officers involved in an ongoing vigilance case were due for promotion w.e.f. 1st July 2021. All these five officers were prima facie found eligible for promotion. Among those, two officers falling under Departmental Promotion Committee (DPC) at corporate level, were promoted on 1st July 2021 since charge sheet was not issued to any of them. However, the promotion order of remaining three officers falling under DPC at complex level were kept in sealed cover due to misinterpretation of rules.

DEVIATIONS / IRREGULARITIES OBSERVED

As per existing HR policies of the company, applicability of sealed cover is given under the following conditions:

- i. Officers under suspension;
- ii. Officers in respect of whom a charge-sheet has been issued and disciplinary proceedings are pending;
- iii. Officers in respect of whom prosecution for a criminal charge is pending.
- iv. The DPC after assessing the suitability of the officer coming under one of the categories mentioned above, shall keep the assessment in a sealed cover with the superscription that "Findings regarding suitability for promotion to

grade _____ in respect of Shri _____ not to be opened till the termination of disciplinary _____ proceedings/criminal prosecution/investigation/enquiry against Shri _____".

However, concerned HR officials misinterpreted the existing guidelines and advised the DPC to keep the status of promotion of three officers in sealed cover who were not falling under any of the categories mentioned above.

During investigation, it was ascertained that a vigilance case was registered with prima facie involvement of ten officers and charge sheets could not be issued by cut-off date for promotion i.e 01st July 2021. Out of ten officers, five were found eligible to be considered for promotion as on 1st July 2021. Among those, two officers were promoted w.e.f 1st July 2021 by corporate office who were also facing similar allegations. The status of remaining three officers were kept in a sealed cover.

Out of three officers, one was issued with counselling letter during the month of September 2021. Hence, the sealed cover in respect of the officer was opened and the Competent Authority directed to release the promotion order. The remaining two officers whose status was kept in the sealed cover could not be promoted w.e.f 1st July 2021 although they were issued with charge sheets only during the month of Sep'2021.

LESSONS TO BE LEARNT

Company guidelines on any matter to be interpreted judiciously by concerned officials. Senior officers of any committee need to be briefed by concerned officials taking into consideration all the facts to avoid any such lapses as brought out in the subject case.

SYSTEMIC IMPROVEMENT SUGGESTIONS

- CO has issued fresh guidelines on the subject during Jan-2023.
- Regular refresher courses need to be conducted to ensure that guidelines issued have been communicated correctly to field units.



IRREGULARITIES IN PROCUREMENT OF SPORTSWEARS

BRIEF OF THE CASE

Procurement of sportswears for summer camp & HAL cricket team was carried out on limited tender basis with four vendors by citing urgency. All the four bids were forged and managed from one vendor with the involvement of HAL employees.

DEVIATIONS / IRREGULARITIES OBSERVED

- HAL tendering procedure was not followed.
- RFQ was changed from limited tender to hand quotation without any approval from competent authority.
- All quotes (four nos.) were forged by the L1 bidder.
- The concerned officials failed to verify the genuineness of the quotes received.
- Proposal was made citing urgency, whereas sportswears were not distributed to the players even after eight months from the date of approval.
- Tendering activity was not carried out in accordance to roles and responsibilities defined under annexure-VII of purchase manual.
- Whole tendering activity were subverted to favour the particular vendor.

LESSONS TO BE LEARNT

- Requirement is to be brought out properly in the note sheet proposal.
- Spot tendering should be carried out by a committee as per the procedure to get competitive price.
- Proper documentation to be maintained.
- Approvals as per the delegation of powers (DoP) are to be obtained.

SYSTEMIC IMPROVEMENT SUGGESTIONS

- Proper market survey is required to identify the vendors, who can supply sports equipment/ sportswear etc and a vendor directory should be maintained for this purpose.
- Spot tendering should be done by a committee as per the HAL purchase manual.
- Concerned official should check all the quotes for its genuineness, procurement is made as per the approval etc.
- Tender opening committee must sign and affix date on all envelopes and quotes for bringing more transparency and responsibility and the officials / staff working in sports committee are to be job rotated as per company policy.

IRREGULARITIES IN ISSUANCE OF DEBARMENT LETTER TO THE CONTRACTOR

BRIEF OF THE CASE

One of the divisions of HAL had debarred the contractor M/s XYZ from participating in tenders for a period of 2 years in HAL with effect from 08.10.2018 till 08.10.2020. But, the division had circulated the debarment letter to all divisions on 25.10.2019 (after one year) and during the period of debarment from 08.10.2018 to 24.10.2019 (one year as against approved two years), M/s XYZ had participated in various tenders and was awarded contracts in two divisions of HAL.

DEVIATIONS / IRREGULARITIES OBSERVED

- M/s XYZ was awarded several contracts in HAL during the debarment period due to delay of one year in issuance of debarment letter to the contractor.
- Failed to keep proper records of debarred contractors.
- Concealing the facts of debarred contractor to the competent authority while processing the file and also failed to bring the debarment issue to its logical conclusion.

LESSONS TO BE LEARNT

- Debarment letters to be issued to the contractors in timely manner so that participation of the debarred contractor in future tenders can be prevented.
- Records to be maintained properly to monitor debarred contractors.

SYSTEMIC IMPROVEMENT SUGGESTIONS

- Once the debarment action is initiated it should be monitored till its logical conclusion by the heads of the contract sections.
- Data base with regard to debarred contractors is to be created and updated from time to time. This should be shared across the company
- Contract section officials should verify the credentials of contractors before technical evaluation/selection of contractors in case of limited tendering.

IRREGULARITIES IN THE ATTENDANCE OF VISITING CONSULTANT DOCTORS / TECHNICIANS AND THEIR REMUNERATION

BRIEF OF THE CASE

One of the visiting consultants (specialist) of HAL hospital was found falsely recording his attendance in the register on all working days including the days of his absence.

Officer designated to certify the attendance of all visiting consultants was found certifying the attendance without cross verification of their presence from their respective departments. Based on his certification, HR & finance officials have processed for payment of remuneration.

DEVIATIONS / IRREGULARITIES OBSERVED

- One of the visiting consultants at HAL hospital was found recording his attendance for days of absence in the attendance register. Remuneration was claimed for days of absence.
- Attendance certification of visiting consultant was never done by the reporting doctor. There was no cross checking of attendance of consultant doctor by the department head.
- Based on falsely certified attendance, wrongful payment totalling to Rs. 4,04,064/- was paid to the consultant doctor.

- The investigation also revealed that similar irregularities of payments were made to other visiting consultants by way of admitting more or additional visits beyond their approved or permitted visits.
- The HR and finance officials failed to cross check the approved visits of consultants and paid Rs.4.6 lakhs in excess wrongfully, based on the attendance claimed by the consultants.

LESSONS TO BE LEARNT

- Conventional method of marking attendance by visiting consultants has created scope for irregularities in recording attendance.
- Bio-metric attendance system should be implemented to remove human interface, for recording and certifying attendance.
- Cross checking of attendance with contract details is required while processing of payment/claims.

SYSTEMIC IMPROVEMENT SUGGESTIONS

- Bio-metric system of attendance to be implemented for all visiting consultants and attendance to be certified based on the e-attendance only. The same has been implemented.

- The issuance of outpatient consultation tokens has been introduced to all visiting consultants. Prescriptions, surgeries and other procedures carried out by the visiting consultants are being captured in Hospital Management Information System (HMIS) for records.
- Approval for additional visits to be reviewed on merits of the requirement, approval of CFA to be taken and contract to be amended accordingly. The same needs to be cross checked by the dealing officials while processing for payment.
- The terms and conditions of the visiting consultant to be reviewed & modified with approval of corporate HR to include relevant penal clauses.



IRREGULARITIES IN PLACEMENT OF PURCHASE ORDER FOR CARGO CONSOLIDATION & CLEARANCE SERVICES

BRIEF OF THE CASE

A purchase order was placed on single tender basis during 2021-22 on a cargo agency for a value of Rs.72.13 lakhs on post-facto basis for the services already rendered to the division during the period 2014-2019. The said PO was approved by divisional head without pre-audit by the system audit.

DEVIATIONS / IRREGULARITIES OBSERVED

- A proposal was raised for placement of PO on an agency for a value of Rs.72.13 lakhs for the services already availed by the division during the period 2014-2019 for cargo services.
- As per DoP, a copy of draft PO was forwarded to system audit for pre-audit (for exceeding Rs.20 Lakhs) and the same was returned without conducting pre-audit since there is no provision of pre-audit for post-facto proposals.
- Head of the division directed finance dept. to make payment without referring to the proposal of the PO as it was critical for current year production. Hence, payment was processed ignoring the contents of the proposal, payment of Rs.63.15 lakhs was made to the vendor against 776 invoices available with the division.
- Out of Rs.63.15 lakhs, an amount of Rs.24.87 lakhs was paid as demurrage charges

without taking the approval of CFA as per DoP.

- Container freight station facilities available at HAL joint cargo complex was not being utilized by the divisions to avoid demurrage.

LESSONS TO BE LEARNT

- Officials to follow proper DoP & interpretations to be made judiciously.
- Avoid obtaining post-facto approvals & strictly take approvals from appropriate authority as per DoP.

SYSTEMIC IMPROVEMENT SUGGESTIONS

- Bangalore based divisions to utilize the services of HAL cargo complex located in Bangalore and all the divisions shall ensure that the consignments are cleared within the permitted period in order to avoid storage/demurrage charges.
- Divisions to monitor pre-deposit account maintained at CHAs, if any, as per the ceiling limit brought out in the DoP for payment of demurrage charges.
- Online system for monitoring custom clearance from receipt of consignments to custom duty payment by finance needs to be implemented as per CO circular. This will ensure that clearance of inbound consignments is completed within the time allowed and delays are avoided.

SUBMISSION OF FORGED/FAKE EDUCATIONAL CERTIFICATES TO GAIN EMPLOYMENT

BRIEF OF THE CASE

Source information received that one of the employees of the division has submitted forged/fake educational qualification certificates at the time of joining HAL and the same was not verified by the concerned authorities at that time.

DEVIATIONS / IRREGULARITIES OBSERVED

- Certificate submitted by the employee was produced to the school authorities and on verification, it was confirmed by them that as per school records, the employee failed in SSLC during April 1994 and the marks card shown to them for confirmation was a fake one.
- The Director (Exams), Karnataka Secondary Education Examination Board also confirmed that "Contents of the marks card does not match with the Board records".

- Further, the education board provided the details of the marks obtained by the employee and confirmed that the employee has failed in the SSLC examination.

LESSONS TO BE LEARNT

All certificates w.r.t qualification criteria such as educational certificates / caste certificates submitted by the selected candidate to be verified by HR department of the division.

SYSTEMIC IMPROVEMENT SUGGESTIONS

HR head of division has to check periodically whether education certificates have been verified.



DEMAND OF CASH FROM VENDOR FOR PROCESSING PAYMENT

BRIEF OF THE CASE

A complaint was received alleging that:

- Vendor delivered the items & submitted the invoice. However, payment was not processed and official 'A' was expecting kick back.
- Vendor intimated that previously on his L1 status confirmation, the said official had demanded Rs.15,500 and the money was transferred to official 'A' wife's phone-pe account.

DEVIATIONS / IRREGULARITIES OBSERVED

- A purchase order was awarded for a total value of Rs.26,74,826. The alleged official 'A' was in-charge for execution of the said work as per the Work Order T&C. Alleged transaction of the money to the phone-pe account of official's wife & the vendor took place during the execution of the said work. Official 'A' signed certificate of completion of the work & final scope of the work and recommended the payment to the vendor.

- During the investigation it was revealed that another official 'B' who had supervised the execution of the work carried out by the vendor and reporting to official 'A' had obtained an amount of Rs.5,000 from the vendor through his wife's account. This transaction was made soon after the award of the PO on the vendor.
- The money trail was established for both transactions.

LESSONS TO BE LEARNT

- Public servant should not indulge in any pecuniary/ money transaction with any vendor.
- To adhere payment schedules to vendors/ contractors as per WO/PO.

SYSTEMIC IMPROVEMENT SUGGESTIONS

Refresher courses regarding conduct rules / standing orders for officers & workmen to be conducted more frequently.



DEMAND AND ACCEPTANCE OF MONEY FOR PROVIDING CONTRACTUAL (CASUAL) JOB

BRIEF OF THE CASE

A written complaint received from Mr. X, contract labour. He alleged that Mr. Y, another contract labour and Mr. Z, Supervisor of contractor had demanded Rs.65,000 to provide him a contract job in HAL.

Mr. X had initially paid Rs.10,000 (cash) to Mr. Y and subsequently transferred Rs.25,000 online to him. Bank statement of Mr. X and Mr. Y was checked and confirmed that Rs.25,000 was transferred through NEFT to the account of Mr. Y which was later transferred to Mr. Z.

Audio clips provided by Mr. X were examined wherein it was clearly spelt out that Mr. Y and Mr. Z were pressurising the complainant for paying balance of Rs.30,000.

Evidences in the form of audio clips, CCTV footage and bank statements have been collected which substantiated that money transfer had taken place from Mr. X for providing him contractual/casual job in HAL.

DEVIATIONS / IRREGULARITIES OBSERVED

- Bribe was taken by the supervisor of contract in lieu of providing job to the contract labour.

- One particular contractor appointed Mr. Z, as supervisor for all the contracts awarded to him by various divisions of HAL, which was in violation of the terms & conditions of the contract.

LESSONS TO BE LEARNT

Supervisor of the contractor has to be rotated/ changed as and when new contract was awarded. Also, efforts to be made to expand the vendor base and encourage competitive bidding to control the corrupt practices by existing contractors.

SYSTEMIC IMPROVEMENT SUGGESTIONS

- To maintain a database of terminated contract labours engaged in corrupt activities to prevent their re-deployment in HAL
- Incorporate terms & conditions in the contract that a supervisor has to be deputed only to the specific contract and not to assign the same person in any other contracts executed by the contractor in the same division or other division of HAL.



DEMAND & ACCEPTANCE OF MONEY BY PROMISING JOB

BRIEF OF THE CASE

A complaint received from Mr. X that on the pretext of arranging a job in HAL to his son, Mr. Y a HAL employee demanded and accepted Rs.5.5 Lakhs from the complainant. Further complainant also mentioned that the alleged HAL employee has taken Rs.11 lakhs from one of his friend by promising job in HAL.

DEVIATIONS / IRREGULARITIES OBSERVED

To gain the confidence of the complainant, the alleged employee has taken the complainant to meet a divisional GM by suppressing the actual purpose and under the pretence of inviting GM to their village school function.

The alleged employee informed the complainant that HAL has released notification for recruitment of MTs/DTs. Later, he collected all the required documents of the complainant's son through WhatsApp/e-mail and filled the online application form on behalf of complainant's son.

Consequently, the alleged HAL employee collected an amount of Rs.5.5 lakhs, in different stages, before the online written examination, in cash and through NEFT from the complainant.

When complainant's son name was not found in the written exam results published by HAL, the complainant requested the alleged employee to return the money. But, the employee returned only Rs.2 lakhs.

From the statements of the complainant & others, their call records, WhatsApp conversations, email, financial transaction details, etc., it was established that the alleged employee has taken money / illegal gratification from the complainant and from his friend, on the pretence of providing job in HAL and cheated them.

LESSONS TO BE LEARNT

- The information to be provided in company website on recruitment procedure and also caution against such fraudulent activities.

SYSTEMIC IMPROVEMENT SUGGESTIONS

- Awareness to be created among the employees, prospective candidates at examination centre and display of PIDPI posters/banners and contact details of CVC & CVO at examination centre to facilitate the candidates to file a complaint against such wrong doings.



AVAILING OF CANTEEN ALLOWANCE DURING VACATION LEAVE

BRIEF OF THE CASE

A check was carried out on payment of canteen allowance for employees availing Vacation Leave (VL) more than 30 days in a calendar year.

DEVIATIONS / IRREGULARITIES OBSERVED

As per company policy, canteen allowance will not be payable to employees if "absence on account of vacation Leave / maternity leave, if any, availed beyond 30 days in a calendar year".

However, it was found that an excess amount of Rs.1,06,400 was paid to 98 employees during the year 2021 towards canteen allowance. Similarly, an excess amount of Rs.73,150 was paid to 73 employees during the year 2022. Total amount of Rs.1,79,550 was paid to the employees, in deviation to the above mentioned rules.

LESSONS TO BE LEARNT

Officials responsible for payment of salary & allowances need to look into the policies / guidelines of the company before processing the salary.

SYSTEMIC IMPROVEMENT SUGGESTIONS

A recovery of Rs.1,79,550 was made from the employees. It was recommended to implement an alert system to Finance (pay rolls) and HR departments on crossing 30 days of VL by employees. The same can also be implemented for allowances which are linked to attendance.



IRREGULARITIES IN EXECUTION OF WORK PACKAGE CONTRACT

BRIEF OF THE CASE

A complaint was received regarding certain irregularities in the work package contract for maintenance of Jheel (Pond) and its periphery, tree trimming and maintenance of additional land acquired by the Division.

DEVIATIONS / IRREGULARITIES OBSERVED

The division was having two separate contracts i.e., housekeeping & sanitation contract and horticulture contract covering entire factory area including additional area acquired by the division.

Simultaneously, a separate contract was awarded on work package basis for maintenance of Jheel (Pond) and its periphery, tree trimming and maintenance of additional land acquired by the division, which is overlapping with the above mentioned two contracts.

However, the dealing officials initiated the proposal without proper justification and estimation for the required job and awarded work package contract.

As per company guidelines, there is a restriction on increase in engagement of contract labour in one form or the other. However, with the intention of providing a distinct terminological perspective from the current contract, the

concept of new geography or “New Land” was proposed. An attempt was made to accommodate some labourers without any actual need for the organisation.

LESSONS TO BE LEARNT

- Initiation of SPR (Service Purchase Request) to be avoided for services pertaining to performance based maintenance without appropriate drawing and specified area for execution in scope of work.
- Practice of inter-change of contract manpower needs to be avoided.
- Scope of work and required manpower to be defined properly as per manual provisions in case of work package / works contract.

SYSTEMIC IMPROVEMENT SUGGESTIONS

- In future before approval of SPR, it may be ensured by all concerned officials that SPR is supported with proper justification for work along with necessary documents like drawings (if any), estimates, scope of works etc.
- Manpower engaged in various contracts / work packages should not be interchanged/ swapped amongst contracts under any circumstances. The same should be clearly mentioned in the contract documents.

NON-COMPLIANCE OF PO TERMS IN PROCUREMENT OF PU THINNER

BRIEF OF THE CASE

A study of the system for buying consumables like paint, primer, thinner etc. and its utilization in last 5 years was carried out in one of the division. The study revealed that surplus thinner was purchased at a cost that was exorbitantly high and not used for intended purpose.

DEVIATIONS / IRREGULARITIES OBSERVED

Indenting department did not conduct a market survey or confer with other sister divisions to determine the actual requirement of PU thinner, being a first time procurement.

Despite the differences in characteristics between both NC thinner & PU thinner, an adequacy statement (Quantity Justification Statement) for procurement of PU thinner was created based on the consumption pattern of NC thinner.

The recommendation of design section to procure a nominal quantity on trial basis prior to bulk purchase was not considered.

Dealing officers of purchase department even ignored the remarks made by the supplier that the quantity of thinner was not proportionate to the quantity of paint mentioned in RFQ.

Physical stock position checked after two years revealed that, 90 % of the PU thinner purchased

was in stock and not used. Although, PU paints supplied along with PU thinner were totally consumed.

LESSONS TO BE LEARNT

- Market survey or confer with sister divisions in order to determine the actual requirement for first time procurement.
- Nominal quantity must be obtained for first time procurement before bulk purchases, and bulk purchases may be initiated after appropriate feedback from User Dept.

SYSTEMIC IMPROVEMENT SUGGESTIONS

- Acquisition of new products / first time purchases, market research to be carried out in order to estimate correct quantity.
- A suitable clause should be included in the RFQ and PO stating that items will be supplied in staggered deliveries only after confirmation from HAL's end.
- For consumable commodities having shelf life, which are often required in large quantities, rate contracts or long term business agreements (LTBAs) may be explored.
- Before placing an order, details regarding the paint and thinner mixing ratio must be obtained from the supplier.

PAYMENT OF WRONGFUL HRA TO FIELD SERVICE REPRESENTATIVES (FSRs)

BRIEF OF THE CASE

Employees are deputed / posted to various customer bases as field service representatives (FSRs) to provide customer support. Such employees who are not retaining company accommodation at the headquarters are eligible for payment of house rent allowance subject to certain conditions as per the company policy.

HRA was paid to the FSRs who are not staying in the accommodation provided by the customer at the base station. However, to be eligible for HRA, the FSR needs to furnish an undertaking every six months stating that they are not provided accommodation by the customer.

DEVIATIONS / IRREGULARITIES OBSERVED

It was observed that number of FSRs were staying in accommodation provided by the customer and were also claiming HRA in violation of the company policy. Many of the FSRs had not submitted undertaking as per procedure for claiming HRA.

The scrutiny of the HRA paid to the FSRs of the division revealed that an amount of Rs.25.68 Lakhs was wrongly paid to 6 employees.

Previously, a check was carried out in another division wherein FSRs were staying in accommodation provided by the customer and were also claiming HRA.

Consequently, HR departments were informed to check & confirm whether any such cases noticed in their respective divisions and six months time was given to take corrective action.

Subsequently, when data was collected from the particular division, it was observed that the data/reports provided by HR department of the division were contrary to the findings of the investigation.

Also, they neither verified that the employee was allotted accommodation by the customer nor obtained undertaking before recommending HRA.

LESSONS TO BE LEARNT

- The divisions should sensitize the employees identified for posting to bases regarding the rules about HRA, especially, in case they avail the accommodation provided by the customers.
- There should be proper co-ordination and clarity between the customer services department, HR department and finance department for the entitlement for HRA.
- Periodic review of the emoluments being paid to FSRs to be carried out, to ensure that undue pecuniary benefits are not availed by them.

SYSTEMIC IMPROVEMENT SUGGESTIONS

- Introduction of briefing of FSRs, before deputing them to customer bases by HR and CSD officials regarding relevant matters including entitlement of HRA. The same to be recorded with signature of the FSR and the briefing officer and is to be filed in personal file.
- The division should obtain an undertaking from the FSR every six months that they are not staying in customer provided accommodation and that they are eligible for HRA.
- Introduction of a trigger in IFS Payroll module to restrict the payment of HRA for a period of six months only and the said trigger is to be reactivated for payment of HRA after receipt of the fresh declaration from the employees posted in the bases.



DISCREPANCIES IN TENDER EVALUATION

BRIEF OF THE CASE

During the period 2017 to 2020, a contractor in one of the divisions of HAL had secured about 10 Nos. of service contracts. As per tender conditions, the bidders were required to secure at least 70% marks to qualify technically. However, as per tender terms proprietorship firms were not eligible to bid. Bidders to be either public or private limited companies.

In 2012, the alleged contractor had dissolved his old firm, which was a proprietary firm and formed a private limited company under Companies Act to participate in the said tender.

In order to qualify technically the contractor had submitted credentials of the old dissolved proprietary firm such as the experience and quality certificates. The above act of the alleged vendor and the acceptance of the above tender by the concerned officials was a grave violation of the RFQ terms & conditions.

DEVIATIONS / IRREGULARITIES OBSERVED

The TEC had erred during evaluation of the offer received from the contractor. The documents w.r.t. experience and quality were not examined diligently. The inconsistencies in the documents which were visible were also ignored. The contractor was technically qualified even though he was failed to secure the minimum required marks i.e. 70%.

LESSONS TO BE LEARNT

TEC need to be very objective, diligent and meticulous during evaluation. They should adhere to the terms and conditions of RFQ.

SYSTEMIC IMPROVEMENT SUGGESTIONS

Technical evaluation to be conducted vis-a-vis the RFQ terms & conditions diligently.



RECEIVING ILLEGAL GRATIFICATION

BRIEF OF THE CASE

A complaint was received alleging demand of illegal gratification by an official of HAL. The allegations also included irregularities during the execution of the contract like delay in site inspections, delay in processing of RA bills, unreasonable deduction for not deploying supervisors at the site, handing over of clear and undisputed site to continue construction work.

DEVIATIONS / IRREGULARITIES OBSERVED

During the investigation, it was found that the site supervisor of the contractor had transferred via UPI an amount of Rs.25,000 and Rs.5,000 to the Officer-in-charge (OIC) of the contract. The account statement of the alleged official established that he had accepted the amount of Rs.30,000 in two instances.

LESSONS TO BE LEARNT

No officials can place themselves under pecuniary obligation to a person with whom they have official dealings as per HAL conduct rules.

SYSTEMIC IMPROVEMENT SUGGESTIONS

- Sensitization of HAL employees and contractors including contractor's employees is required at regular intervals.
- Refresher courses on HAL conduct rules to be held frequently.



IRREGULARITIES ON SHIPMENT OF AERO ENGINES/ACCESSORIES BY THE TRANSPORT CONTRACTOR

BRIEF OF THE CASE

The division awarded cargo contracts to the carriers for transport of aero engines and accessories from HAL division to various destinations /Air Force Stations and other HAL divisions and vice versa with details of full truck load basis from point to point.

Irregularities were observed in the execution of transport contract by violating the terms of contract agreement and forging the official documents issued by Air Force bases to inflate the bills.

DEVIATIONS / IRREGULARITIES OBSERVED

A transporter carried cargo from customer bases in a single truck to HAL but however before entering the company premises he has split the same cargo in multiple trucks and claimed separate bills for each truck as if he had transported in many trucks from the customer bases.

To support the above claims he had forged/duplicated consignment papers issued from the customer bases.

He also loaded cargo other than HAL items enroute which was a violation of terms & conditions of contract and also a safety threat to the airborne items.

LESSONS TO BE LEARNT

- Manual booking of transport and processing of claims to be avoided as the driver of the truck himself carries the documents.
- Sensitive items and airborne items to be transported with tracking facility.
- Airborne items not to be transported in unlocked conditions.
- An online channel to be introduced for cross verification of cargo loading documents between HAL and the concerned customer bases.

SYSTEMIC IMPROVEMENT SUGGESTIONS

- To explore the feasibility of incorporating the requirement of online shipment tracking system& GPS to vehicles as pre-qualification criteria/specification in the future tenders.
- Feasibility of receiving a copy of consignment papers directly by HAL from customer bases to be explored.

INORDINATE DELAY IN AWARD OF CONTRACT

BRIEF OF THE CASE

One of the divisions had failed to award the work of "Roof leakage treatment of quarters and public buildings in HAL Township" to a techno commercially viable L-1 (M/s ABC) vendor within the validity of the offer i.e. within 120 days from the last date of submission of the initial tender. Thereafter re-tender action was initiated and as a result the division incurred additional expenditure of Rs.23.48 lakhs for awarding the work to M/s XYZ.

In the instant case, during initial tender, the L-1 vendor offered a bid which was about 15 % below the HAL estimate. However, due to inordinate delay in processing of proposal the offer expired. The vendor was informed to extend the bid validity. But, vendor regretted to extend the bid validity. This resulted in re-tender and led to additional expenditure of Rs.23.48 lakhs.

DEVIATIONS / IRREGULARITIES OBSERVED

- Unjustifiable delay of 72 days during the financial concurrence in the award of contract after techno commercial evaluation resulted in the expiry of bid validity.
- Although the L1 bid was 15% lower than the estimated value, a decision was taken to negotiate without recording reasons. In the meantime, validity expired and vendor refused to extend validity.

- Due to inordinate delay in the award of contract and expiry of the validity of bid, additional expenditure of Rs.23.48 lakhs was incurred.
- Total time of 400 days was taken by the division from the stage of initiation of proposal to final award of work.

LESSONS TO BE LEARNT

- Queries to be placed judiciously to avoid unwarranted delays of files. If queries are raised linking of documents on files should be done expeditiously. The validity time should be highlighted in the file so that all are aware of the impending expiry of offers.
- Decisions and discussions to be reasoned & recorded for ensuring justification and transparency.
- Negotiations to be conducted as per concerned manual with due justification i.e. not as a matter of routine.

SYSTEMIC IMPROVEMENT SUGGESTIONS

- The overall time frame for completion of the entire process of award of tenders should be within the validity period of the tender/contract.

- Meetings /discussion held and decision taken in regards to pre-tender/post tender activities needs to be minuted/recorded properly to bring transparency in line with guidelines issued by CVC.
- To avoid delay and additional expenditure, the acceptance of tender should not be unjustifiably delayed.
- Frequent capacity building /refresher programs to be conducted to reduce procedural delays.



FAKE AND FORGED DOCUMENTS SUBMITTED TO SECURE JOB IN HAL

BRIEF OF THE CASE

A complaint was received against an employee for submitting forged/fake School Transfer Certificate (TC) in support of fake Date of Birth (DOB) to secure job in HAL. On verification of his educational certificate from the concerned educational authorities, it was found that the information's/documents submitted by the employee i.r.o his educational qualification and DOB were forged.

DEVIATIONS / IRREGULARITIES NOTICED

- It was established that the employee produced a forged school transfer certificate at the time of joining at HAL by forging his date of birth and qualification as 10th passed.
- In fact the employee has passed only class-VII from a local Govt. High School. However, he submitted a fake TC with a forged DOB from a school where he did not study.

- On verification of his previous working experience from the concerned authority, it was established that the employee concealed the previous employment details at the time of joining HAL in order to suppress his action of forged DOB.
- The concerned employee continued to be in service for 22 years as the act of forgery went unnoticed.

LESSONS TO BE LEARNT

Documents submitted w.r.t educational qualification and DOB at the time of appointment have to be verified from the concerned authorities before confirmation of appointment.

SYSTEMIC IMPROVEMENT SUGGESTIONS

It is suggested to issue company-wide guidelines for verification of educational certificate of the employees before confirmation of their appointment.

