

विश्लेषण-V



Vishleshan-V

A Compendium of Vigilance Interventions



विश्लेषण-V *Vishleshan-V*

A Compendium of Vigilance Interventions



Published in 2025 by Hindustan Aeronautics Limited-Vigilance Department, Bengaluru.

SPECIAL THANKS TO

Dr. D K Sunil, Chairman & Managing Director, HAL
for his guidance and support.

PATRON-IN-CHIEF

Ms Kalyani Sethuraman, IRAS
Chief Vigilance Officer, HAL

EDITOR-IN-CHIEF

Shri P Jeeva
General Manager (Vigilance), HAL

EDITORIAL BOARD

Shri Mukul Saxena, DGM (Vigilance) - BC
Shri S Suresh Kumar, DGM (HR-Vigilance) - CO
Shri VK Suresha Prasanna, CM (Vigilance) - CO
Shri Renjith R, CM (Vigilance) - CO
Shri Z C Godly, SM (Vigilance) - CO

CONTENTS

1	Wrongful payment made to a fake/fraudulent bank account	1
2	Irregularities in proprietary procurement	3
3	Deviations in the contract for construction of multi-storey residential quarters	4
4	Anomalies in spot tendering	6
5	Irregularities in procurement of LED lights	7
6	Irregularities in construction of drainage	8
7	Irregularities in procurement of medicines	9
8	Discrepancies in insourcing contract	10
9	Irregularities in placement & execution of a canteen contract	11
10	Manipulation in processed data of biometric attendance	13
11	Irregularity / lapses in construction of a building	14
12	Manipulation of biometric attendance & wrong fixation of pay	15

Contd...

13	Irregularities in placement of indigenization contract	16
14	Financial loss due to change in mode of tendering	17
15	Loss of input tax credit (ITC) under GST laws	18
16	Demand and acceptance of money by assuring a job in the company	20
17	Deviations in procurement of capital item	21
18	Inordinate delay in settlement of contractor's dues	22
19	Irregularities in installation and commissioning of capital equipment	23
20	Irregularities in award & execution of man power contract for office activities	24



FOREWORD

I am happy to note that vigilance department is publishing the booklet 'Vishleshan-V' during Vigilance Awareness Week - 2025.

Integrity is one of the core values of HAL. The company is committed to honesty, trust worthiness and fairness in all dealings. This ethical foundation promotes accountability, open communication and teamwork, leading to a more stable and productive work environment. Integrity also reduces the risks of legal issues and misconduct, supports informed decision-making and ultimately contributes to the company's long-term success and sustainability.

"Trust is like the air we breathe - when it's present, nobody really notices. When it's absent, everyone notices." - Warren Buffett. Vigilance department in HAL is very certain in implementing the best practices in the organization ensuring business dealings with honesty and consistency. It means doing the right thing even when no one is watching and consistently adhering to high ethical standards.

I am sure this publication will enhance the decision making capacity of the officers by highlighting the best practices to be followed and also the corrective systemic improvements implemented from the past experiences. The release of this booklet with vigilance awareness week makes good sense as the theme for the year is 'vigilance-a shared responsibility'.

I take this opportunity to congratulate the vigilance department in their endeavor to sensitize the HAL community on best practices through the publication of this booklet.

Jai Hind

Dr. D K Sunil

Chairman and Managing Director
Hindustan Aeronautics Limited.





FOREWORD

The core purpose of vigilance department in our organization is to promote a vigilant culture including continuous improvements in our internal systems, processes and practices. In short, help promote an enabling transparent framework to promote business for the good of all stakeholders.

HAL as an organization has continuously been striving towards betterment of both production and finances. The company has achieved the prestigious Maharatna status, the first among defence PSUs. These achievements coupled with integrity are crucial to build trust with stakeholders, including customers, employees and partners which fosters strong relationships and a positive reputation.

One of the primary objectives of vigilance department is preventive vigilance which includes study of existing procedures and practices prevailing in the organization to identify those procedures or practices which provide a scope for corruption and correct them with suitable amendments.

The publication of 'Vishleshan- A compendium of case studies' is an effective mechanism to study the interventions by vigilance department on various issues and implementation of systemic corrections with a view to eliminate the recurrence of such incidents in future.

Vigilance is a shared responsibility between all employees & stakeholders and we believe that capacity building will be strengthened through these case studies.

I do hope the readers will get an insight into the areas where mistakes happen regularly and a chance to keep such instances in mind while dealing with similar situations.

Happy reading.

Kalyani Sethuraman

Chief Vigilance Officer
Hindustan Aeronautics Limited



WRONGFUL PAYMENT MADE TO A FAKE/FRAUDULENT BANK ACCOUNT

BRIEF OF THE CASE

PO was placed on M/s XYZ (a new vendor referred by OEM) for procurement of an item from a proprietary source. Later, 100% advance payment was released to the bank account received from a fake e-mail ID which resulted in financial loss to the company.

DEVIATIONS / IRREGULARITIES OBSERVED

- Vendor registration of M/s XYZ was done temporarily without obtaining complete bank details.
- During the proposal for 100% advance payment, complex office advised the division to attach a copy of assessment of credit worthiness of the vendor. Vendor forwarded credit worthiness from ABC bank however, full bank details was not furnished.
- Bank details were not obtained during the vendor registration or before placement of PO or during the proposal for advance payment.
- PO was approved / released without bank details by violating company guidelines and the said fact was not recorded in the PO proposal for perusal of CFA.
- Later, the vendor submitted bank details through encrypted message on the bank letterhead where account number was mentioned. However, other details like SWIFT code, IBAN number etc., were missing. Officials have not acted on the same.
- No correspondence/efforts were made by the officials for obtaining missing bank details from the vendor. Thereafter, division has accepted the details of another bank (PQR Bank) received from a fake e-mail ID resembling vendor's email ID. The said details were incorporated in ERP without verifying the genuineness.
- Payment was released to the PQR bank account and alert message was sent to vendor after 02 months. The delay was attributed to server.
- After receipt of alert message, M/s XYZ informed that they have not received payment and informed that e-mail received by the division for change of bank name was not sent by them.
- E-mail IDs of the company and M/s XYZ were created by using fake domain name of the company as well as vendor. The same was used by the fraudster for making correspondence with the company as well as the vendor along with the trailing mails of previous correspondences.

LESSONS TO BE LEARNT

- The instant case being an advance payment, minimum caution should have been taken by verifying the genuineness of bank details provided by the vendor and by following company guidelines.
- The sender's email should be verified before acting / responding. While replying to the trailing mails or copy paste the email IDs, the spelling of the IDs should be checked.
- After releasing payment, e-mail alert shall be sent immediately to the vendor.

SYSTEMIC IMPROVEMENT SUGGESTIONS

- Bank details shall be mentioned in all the POs and necessary provision to be made in ERP.
- Complete bank details should be obtained from the vendor through encrypted e-mail message and the same to be verified before initiating payment advice.

- Provision to be made for auto generating alert message to the user in case of any unknown/new e-mail id is added during the chain of communication between company and the vendor.
- Making correspondence with vendor through common e-mail IDs of the department should not be permitted.
- In case, change of bank details is requested by the vendor, the payment recommending authority should ensure that bank details are mentioned in the PO along with vendor's request letter & banker's letter/SWIFT MT message from foreign banks. This shall be furnished for approval of competent authority.



IRREGULARITIES IN PROPRIETARY PROCUREMENT

BRIEF OF THE CASE

Project items were purchased on proprietary basis from one of the authorized distributors without contacting OEM in spite of higher price quoted by the same distributor in three consecutive purchase orders.

DEVIATIONS / IRREGULARITIES OBSERVED

- Proprietary certificate was signed based on the last purchase, inspite of higher price (>50% price increase w.r.t. last purchase price (LPP)) quoted by the same distributor in the last three purchase orders.
- Efforts were not made to identify more authorized distributors of OEM, so that limited tender could have been possible for better competition.
- Proprietary certificate was approved for one brand, while MPR (material procurement request), RFQ was made with two brands. As two brands with multiple distributors are available, the item should have been purchased on limited tender basis instead of proprietary.
- OEM authorization certificate was not sought from the distributor as per tender condition and it was assumed that authorization certificate is already available in previous file.
- Distributor credentials were neither checked nor endorsed in PO proposal as per Purchase manual.

LESSONS TO BE LEARNT

- Purchase department should follow the laid down procedures while preparing estimates. In case of considering LPP as an estimate, market study is to be done to ascertain the reasonability / trend in the market.
- In case the same product is available from more than one manufacturer and authorized distributors, all the sources need to be addressed to get the price advantage.
- OEM must be contacted for every proprietary procurement in spite of distributor / dealers already established in the past procurement as OEMs are changing their authorized distributors from time to time.

SYSTEMIC IMPROVEMENT SUGGESTIONS

- Part descriptions (part no, make etc.) on proprietary certificate may be fetched (automatically) from part catalogue of ERP to avoid the manual mistakes in MPR & tender documents.
- Efforts should be made to identify authorized distributors of OEMs and limited tender among them to be done for better competition.
- Proprietary items need to be reviewed periodically as specified in the purchase manual.
- Distributor credentials should be verified and the same to be made part of purchase proposal.

DEVIATIONS IN THE CONTRACT FOR CONSTRUCTION OF MULTI-STOREY RESIDENTIAL QUARTERS

BRIEF OF THE CASE

Irregularities observed in awarding & execution of construction of a multi-storey residential quarter such as acceptance of ineligible experience certificate, rejection of solvency certificate on irrelevant criteria, extension of contract on unjustified grounds and removal of essential items from the estimate in order to accommodate value within the approved budget.

DEVIATIONS / IRREGULARITIES OBSERVED

- Experience certificate submitted by M/s ABC for participation in tender process was not in line with RFQ terms. However, the same was accepted by the screening committee.
- As per building bye-laws of concerned state, multi-storey building means building including ground with 4 floors and above or having height above 15 meters. However, the structure of the building mentioned against work experience submitted by the contractor was not in line with the above criteria. Hence, accepting the said work as multi-storey appears inconsistent and resulted in acceptance & award of contract to an ineligible bidder.
- Acceptance of solvency certificate submitted by one of the bidders i.e., M/s XYZ was denied by finance on the ground that it was issued in favor of some other firm overruling the recommendations of tender screening committee and opinion of legal section of the division.
- Fresh solvency certificate submitted by M/s XYZ was again rejected by tender evaluation committee stating that certificate was issued after the date of opening of bid. However, such criteria was not defined in the NIT / tender conditions.
- Essential items like external water supply, underground water storage tank, external sewage line, development of external area, parking etc. were removed from the original estimate, without which the building will not be functional. Later the said works were executed by considering it as a deviation.
- Time extension of 05 months for completion of work without penalty was given without proper justification.
- Various terms & conditions of the contract like insurance policies to cover workmen under Workmen's Compensation Act and deployment of supervisors for the work were not complied.

LESSONS TO BE LEARNT

- Availability of budget to be ensured and preparation of unrealistic estimate to be avoided.
- In case of doubt on experience certificate of bidder, due verification of work to be ensured as per provisions of works manual.
- Rejection of bidder, if any, should be in line with NIT / tender documents and these are to be drafted in adherence with existing manual / guidelines.
- Reasons for time extension by waiving of penalty to be given on justified grounds only with the approval of CFA.

SYSTEMIC IMPROVEMENT SUGGESTIONS

- Project/ works should not be started without ensuring adequate budget & requisite component of work and full quantity must be included in the estimate. In case of inadequacy of budget amount, approval from competent authority for additional fund to be obtained instead of altering the scope of work.

- Clarification on essential criteria of tender conditions may not be sought from the contractors except for historical data which pre-existed at the time of tender opening and on the submitted documents only.
- Proper justification must be recorded and suitable clarification must be obtained before acceptance of any tender documents submitted by bidders for which TEC has doubt on its genuineness and reasonability.
- Reason/s for rejection of bid should be recorded.
- Adherence to works manual provisions in respect of labour license, requisite insurance under Workmen Compensation Act etc. must be ensured.
- Extension of contract should be given only in compelling circumstances for the justified grounds of hindrances & proposal for extension of contract must accompany detailed analysis of delay supported by proper documentation.



ANOMALIES IN SPOT TENDERING

BRIEF OF THE CASE

During the scrutiny of order placed through spot tendering, anomalies with respect to obtaining budgetary quotes, tendering, evaluation and execution of work at site have been observed.

DEVIATIONS / IRREGULARITIES OBSERVED

- Spot tendering committee was constituted for obtaining budgetary quotes. However, committee members did not visit the vendor's locations and quotes were collected by an officer who was not part of the tendering committee.
- During spot tendering, offers obtained from different vendors having similar format/ table with similar content / wording and similar font size etc. were turned out to be received from a single source.
- Some of the quotations were received as an attachment of the same email ID. The credentials such as name / mobile number etc. of the sender were not available in the email. Further, the addresses could not be traced and even contact number indicated in two budgetary quotations were found to be wrong / not working.
- Items to be selected by the spot tendering committee should be mentioned in quotation and recommendation to be made by the committee. However, in all the quotations, the same was found to be incorporated unauthorizedly at a later stage i.e. after collection of quotations.
- Discrepancy was observed in respect of specifications of items mentioned in PO and items supplied by the vendor.

LESSONS TO BE LEARNT

- In case of spot tendering, approved committee to strictly follow the procedure as per applicable company guidelines.
- Tendering is to be handled by the officials who have been duly authorized by the competent authority.

SYSTEMIC IMPROVEMENT SUGGESTIONS

- Indenter to strictly ensure the authenticity / genuineness of the quotations before raising purchase proposal.
- Spot tendering committee to adhere company guidelines on the subject.
- The proof w.r.t. collection / receipt of quotations to be made available in the concerned files.
- Works to be executed strictly as per the terms & conditions of the order placed.

IRREGULARITIES IN PROCUREMENT OF LED LIGHTS

BRIEF OF THE CASE

A complaint was received alleging that a specific brand and model was mentioned in the RFQ for a generic item i.e. LED light which curtailed competition in a high value procurement.

DEVIATIONS / IRREGULARITIES OBSERVED

- Standardization (single brand) of a generic item was done during procurement of 1700 numbers of LED lights based on the performance of similar item installed one week before.
- Concerned officials did not apply due diligence while recommending/approving the standardization (single brand) under proprietary tender.
- On vigilance intervention, division opted for re-tendering the requirement on open tender basis without mentioning any brand / model which resulted in placement of a PO at 33% lower than the earlier tender under proprietary.

LESSONS TO BE LEARNT

- Specifications must be prepared keeping the requirement in mind and after due market surveys. In case of commonly available items, proprietary tender should not be resorted.
- The delivery schedule incorporated in the RFQ and the purchase order should be in sync with the urgency of the requirements.

SYSTEMIC IMPROVEMENT SUGGESTIONS

- A committee must be constituted at divisional level to scrutinize the proposal for procurement of items under standardized category.



IRREGULARITIES IN CONSTRUCTION OF DRAINAGE

BRIEF OF THE CASE

During the scrutiny, it was observed that despite the approval obtained for cancellation, the work was awarded and executed. Further, the officials initiated a proposal to regularize the work despite lack of funds.

DEVIATIONS / IRREGULARITIES OBSERVED

- The proposal for the execution of the work was cancelled as the allocated capital budget had expired. However, the contract was awarded and executed ignoring the cancellation.
- The acceptance letter for the contract was unauthorizedly issued in violation of the laid down procedure.
- The officials have initiated proposal for post facto approval for regularization.

LESSONS TO BE LEARNT

- In case of work to be executed under capital budget, availability of funds to be ensured before putting up the proposal for the approval of competent authority.

- Contract should not be awarded without the approval of the competent authority. Ensure that the entire approval chain is completed before issuing acceptance letter to contractor.
- Post-facto approvals are to be resorted to as a last option
- Maintain transparent communication between civil, contracts and finance departments at every key stage of tendering, evaluation, approval and award of contract.

SYSTEMIC IMPROVEMENT SUGGESTIONS

- Implement ERP-linked budget validity alerts in order to auto-flag budget expiry.



IRREGULARITIES IN PROCUREMENT OF MEDICINES

BRIEF OF THE CASE

During scrutiny of files pertaining to procurement of high value medicines, it was observed that the distributors / stockist deliberately did not pass on the price drop information and fraudulently claimed the excess amount.

DEVIATIONS / IRREGULARITIES OBSERVED

- In case of POs under staggered delivery of medicines, distributor submitted invoice with a lower rate due to price drop by OEM. When the division raised the query, distributor deliberately submitted the revised invoice as per PO price.
- It was revealed that the distributor deliberately did not intimate the division about the price drop of the medicine by OEM & fraudulently claimed an amount of Rs 20.52 lakhs.
- Similar issue was observed in another PO wherein OEM intimated the division through email with a copy to stockist about the price drop and stated that all the future order will be invoiced with the revised rate. However, officials did not initiate the PO amendment. Stockist intentionally did not submit the invoice with revised price & fraudulently claimed an amount of Rs.4.25 lakhs.
- Officials have shared the ERP login IDs and password with contract labours for creating the payment recommendation without co-ordination & supervision.

LESSONS TO BE LEARNT

- Officials to monitor the price drop of medicines as the same are dynamic in nature.
- Officials to invoke fall clause as per PO, wherever applicable.
- Officials have to correspond with OEM regarding market price of medicines instead of distributors / stockist.
- Officials should not compromise their ERP login IDs and password.

SYSTEMIC IMPROVEMENT SUGGESTIONS

- Division to contact OEM for direct supply of medicines to avail price advantage.
- MRP should be incorporated in ERP. In case any variation is found in MRP of the supplied medicine, store officials should intimate purchase department to take up the matter with the concerned vendor / OEM.
- Drug committee / purchase department should check and ensure the patent salt of medicine & its period of patent before initiating proprietary tender.
- Drugs committee in coordination with purchase department should prepare and update the compendium of all the medicines with generic names / salts, part numbers along with suitable source of supply.

DISCREPANCIES IN INSOURCING CONTRACT

BRIEF OF THE CASE

Purchase order was placed for insourcing of manpower to support manufacturing shops & engine test beds. During investigation, irregularities were observed in respect of payment of GST and compliance of statutory requirements.

DEVIATIONS / IRREGULARITIES OBSERVED

- Requirement was raised through purchase procedure instead of works procedure.
- Eligibility / qualification criteria / past experience / financial position of bidder was not defined / indicated in the tender document.
- Clause in RFQ for minimum payment of 85 to 90% of the quoted wages led to retaining a margin of 15-10% by the contractor and payment of wages below the statutory minimum wages.
- Order was placed with value inclusive of GST as quoted in the GeM tender. The contractor raised the invoice with the value as per PO and GST which resulted in payment of GST twice.
- Delay in payment of wages and remittance of statutory payment such as ESI, PF, EDLI.

LESSONS TO BE LEARNT

- Contracts related to deployment of manpower to be awarded under works procedure.
- Company policy, guidelines, circular and procedure to be followed during provisioning and order stage for successful execution of contract.
- Contract value in the PO has to be mentioned indicating the tax element separately.
- Terms & conditions should be properly framed in line with laid down procedures and the same to be approved prior to issuing tender.
- Payment has to be released strictly in line with terms & conditions of the work order.

SYSTEMIC IMPROVEMENT SUGGESTIONS

- All contracts involving deployment of manpower in the division should be routed through HR.
- Awareness session / training to be organized by the division for the officers involved in planning, award and execution of manpower/work package / insourcing contracts.

IRREGULARITIES IN PLACEMENT & EXECUTION OF A CANTEEN CONTRACT

BRIEF OF THE CASE

During the scrutiny of file pertaining to canteen contract, certain irregularities related to tendering, placement, execution of contract & non adherence of budget sanction were observed.

DEVIATIONS / IRREGULARITIES OBSERVED

- The basis of estimation was not clearly brought out in the material procurement request (MPR)..
- Officials have not signed on all the pages of MPR.
- Relevant documents were not enclosed w.r.t. experience as mentioned in the pre-qualification technical requirements.
- Additional conditions were incorporated by the technical evaluation committee (TEC) while evaluating technical bids.
- Payment was made through note sheet in violation of PO terms.
- The agreement was signed by the official who was not authorized, without mentioning the value.
- RFQ has been uploaded in the GeM portal with contradictory clauses w.r.t scope of work.
- Timely action was not initiated to award new canteen contract.

- Labour license and food license were not obtained by the contractor as per the contract terms.
- Extension of bank guarantee was not done for the extended period of contract.
- There was no control over the sanctioned budget. Initially, contract value was Rs.28.49 lakhs for a period of two years. Later, the contract was extended two times where Rs. 81.3 lakhs payment was made for the contract period of three years.
- Check of ingredients & quality of the food served by the contractor was not carried out.

LESSONS TO BE LEARNT

- Line wise specifications (BOQ) and T&C to be prepared carefully in consistent with the requirements.
- To adhere statutory conditions & compliances.
- Budget control and payment recommendations to be made as per company policy, avoiding unnecessary/ redundant note sheet approval as far as possible.
- Additional terms should not be added during technical evaluation.

SYSTEMIC IMPROVEMENT SUGGESTIONS

- Standardize the model tender document for canteen contract in order to maintain uniformity across the company.
- System audit guidelines for payment through receiving report against service contracts to be followed and note sheet payments should be avoided.
- Agreement to be signed by the head of the division / authorized official.
- Canteen workers are to be permitted inside the division with a valid pass duly issued after receipt of police verification.
- Canteen committee members should ensure periodic check of brand of the item & food being supplied by the contractor.



MANIPULATION IN PROCESSED DATA OF BIOMETRIC ATTENDANCE

BRIEF OF THE CASE

During the scrutiny of processed data of biometric attendance, it was revealed that officials responsible for processing the attendance data have manipulated the data for personal gain/ pecuniary advantage.

DEVIATIONS / IRREGULARITIES OBSERVED

- Raw data as per biometric system & processed attendance data for ERP was verified and found that two officers who had access to the database server have manipulated their attendance data several times.
- The above manipulation resulted in saving of leave in their account and cover up short hours.
- The officials dealing with biometric attendance data processing did not change the passwords for a long time.
- Password used for processing the attendance was known to all the officials in the department.
- Log of events pertaining to accessing biometric attendance data processing as well as in the database server / system was not enabled.

LESSONS TO BE LEARNT

- Sensitive data such as biometric attendance should not be openly available to everyone and employee specific access / password controls should be ensured.
- Only authorized personnel should access such sensitive data by using unique user ID and password.

SYSTEMIC IMPROVEMENT SUGGESTIONS

- Log-in credentials not to be shared with other officials. During the absence of designated official in the attendance regularization process, right to be given to other official with the approval of competent authority.
- Ensure log files are created for all the activities at server level including biometric attendance processing.
- Periodical change of passwords along with automated alert system to be implemented as per policy.
- Automated alert system for any attempt of unauthorized access / modification of data if any, to be implemented.



IRREGULARITY / LAPSES IN CONSTRUCTION OF A BUILDING

BRIEF OF THE CASE

During scrutiny of files pertaining to construction of a building, irregularities/lapses were observed w.r.t. preparation of estimate, technical & commercial evaluation and execution of work.

DEVIATIONS / IRREGULARITIES OBSERVED

- The estimate was unrealistic in comparison with market rate. High freak rate (HFR) in the range of 123% to 1026%, has not been dealt properly as per the work procedure before awarding the work.
- Estimate contained same item in more than one place with different rates. Bidder had also quoted different rates even though the item was same.
- Technical evaluation was not done properly in line with works manual.
- Instead of reducing the prices on the HFR items, price negotiation committee (PNC) had agreed to accept meager discount on the total price.
- Deviation has been priced in respect of same item which was having higher price, resulted in excess payment of Rs.27.72 lakhs.

- While executing the work, the deviation in quantity w.r.t. HFR items (>20%), has led to additional financial implication of Rs. 2.23 crores.
- Reasons for the time extensions without penalty were not supported by the site records like hindrance register etc.

LESSONS TO BE LEARNT

- Preparation of estimate and technical evaluation to be done in line with works manual.
- During price negotiation, HFR items to be dealt separately to establish price reasonability.
- Time extension has to be given judiciously based on the instances mentioned in the site records.

SYSTEMIC IMPROVEMENT SUGGESTIONS

Officials to prepare realistic estimate by following company guidelines.

MANIPULATION OF BIOMETRIC ATTENDANCE & WRONG FIXATION OF PAY

BRIEF OF THE CASE

During the scrutiny of attendance system, the raw punching data was compared with the payroll data and discrepancies in the internally developed attendance system for regularization and manipulation of attendance records were observed.

DEVIATIONS / IRREGULARITIES OBSERVED

- Payroll officials were given the rights to regularize the attendance of all the employees including themselves without any supervision.
- Significant number of manual regularizations i.r.o. leave, compensatory off, short hours, single punch were done by the payroll staff / officials for pecuniary benefit.
- Attendance regularizations for employees on assignment were carried out manually despite punching details were available in the system.
- Hard copies received for manual regularization of attendance were not maintained properly.
- Compensatory off /time off to be availed within one month of the extra hours worked was not followed. In few cases, compensatory off availed in advance and extra hours were performed at a later period.

- In some cases, no deductions were made for the short hours and full salary was paid.
- In one case, the salary deducted for the absent days was paid in the subsequent month without approval.
- During the wage revision, special pay of the employee working in payroll section was incorrectly calculated with a higher rate resulting in excess payment for many years.

LESSONS TO BE LEARNT

- The attendance regularization to be done through maker & checker concept and approved by designated authority.
- The payroll department must maintain proper documentation or backup for manual/offline regularizations.
- Wages are to be calculated properly by the concerned department to avoid excess pay and allowances.
- Concerned officials should not share log-in credentials with other staff / officials.

SYSTEMIC IMPROVEMENT SUGGESTIONS

- Periodic verification of all the online / manual approvals w.r.t. attendance regularization is to be carried out.
- Raw data to be maintained unedited for audit trail.

IRREGULARITIES IN PLACEMENT OF INDIGENIZATION CONTRACT

BRIEF OF THE CASE

Irregularities pertaining to tendering, technical evaluation and wrong use of delegation of power (DoP) provision were observed in placement of indigenization contract.

DEVIATIONS / IRREGULARITIES OBSERVED

- Tendering for indigenization of bought out finished items (BOF) was done by resorting to re-tendering four times and no consistency was followed in the RFQ terms.
- There was no clarity during tendering as regards to future requirements, pricing, supply of drawings and scope of work etc.
- Necessary drawings were not uploaded in the initial tender and later forwarded to a few select vendors. Drawings were issued without obtaining non-disclosure agreement (NDA).
- Re-tendering was done for a few items. The drawings of the items which were not re-tendered were also uploaded without exercising due diligence.
- Instead of extending the tender due date, approval for re-tendering was obtained which resulted in a delay in the tendering process.
- Two vendors have not submitted certain applicable certificates like NADCAP, QMS along with the quote. However, the said omission was not taken into account during the technical evaluation.
- Approval for re-tendering was obtained during the first tender inspite of receiving 02 technically acceptable offers citing reason "future pricing clause need to be incorporated". However, the said aspects were not addressed during the re-tendering.
- Re-tendering was resorted due to single offer situation for majority of items. However, even after re-tendering single offer was received and order was placed with additional cost of Rs.23.91 lakhs compared to initial tender.
- Applicable DoP clause for indigenous development was not followed during approval.

LESSONS TO BE LEARNT

- Officials involved in procurement of indigenized items to exercise due diligence while preparing tender documents.
- Drawings have to be shared with the vendors only after obtaining NDA.
- Technical evaluation committee need to ensure that all the required documents/certificates are available at the evaluation stage and consider the same during evaluation.
- Re-tendering to be resorted in line with the provisions of purchase manual.

SYSTEMIC IMPROVEMENT SUGGESTIONS

Comprehensive guidelines on indigenization have been issued.

FINANCIAL LOSS DUE TO CHANGE IN MODE OF TENDERING

BRIEF OF THE CASE

Investigation revealed that the mode of tender was changed to proprietary, even though previously the same items were procured through limited tender.

DEVIATIONS / IRREGULARITIES OBSERVED

- The reason / justification for changing mode of tender from limited to proprietary was not brought out in the proposal.
- Availability of other suppliers in the market was not explored as done in the previous procurements.
- Budgetary quote obtained from the vendor was considered for estimation instead of last purchase price (LPP).
- Even though there was a price increase of more than 25% when compared to LPP, the same was suppressed by the officials by stating that items are being procured for the first time.
- After the item was procured on proprietary source with escalation, further purchase orders were placed for the same item with additional price escalation of 64%.

LESSONS TO BE LEARNT

- Items available from more than one source should not be categorized as proprietary source.
- In case of change in mode of tendering, proper justification to be brought out in the proposal for CFA to take appropriate decision.
- Procurement history of any item to be clearly brought out in the purchase proposal especially in case of proprietary source.

SYSTEMIC IMPROVEMENT SUGGESTIONS

- In case, OEM / proprietary source is not responding or not interested in doing direct business, proper justification to be recorded before provisioning.
- All communications / correspondences with suppliers during the course of procurement shall be made available in respective files.
- Explore possibility of entering into long term business agreement / rate contract with the OEM or explore the feasibility for indigenization of such item.



LOSS OF INPUT TAX CREDIT (ITC) UNDER GST LAWS

BRIEF OF THE CASE

During scrutiny of input tax credit (ITC), lapses pertaining to uploading of invoices in the goods & services tax (GST) portal by the vendors were observed which resulted in financial loss to the company.

DEVIATIONS / IRREGULARITIES OBSERVED

- In few cases, invoices uploaded in the GSTN (portal) by the suppliers are not tallying with invoice details available with the division.
- During the analysis of the data, it was observed that a few vendors have failed to upload their GST invoices in GSTR1 which resulted in unmatched ITC.
- More than one GST Registration (GSTIN) are available in the ERP for the same vendor resulting in non-availing of ITC by the division.
- Failure on the part of vendor to upload the GST invoice in their return in time resulting in delay / lapse of ITC.
- Reconciliation of ITC on yearly basis instead of monthly basis resulting delay in availing ITC and payment of outward tax liability in cash.

- There was a lack of coordination among the various stakeholders like finance, IMM, stores, outsourcing and works department in availing ITC.

LESSONS TO BE LEARNT

- Reconciliation of GST invoices received along with supplies are to be done on monthly basis and ITC to be availed while uploading GSTR-3B in the subsequent month. Invoices on which ITC has not been availed to be taken up with vendor immediately.
- Coordination among the various stakeholders like finance, IMM, stores, outsourcing and works department in availing ITC to be ensured in order to avail the ITC in time.
- User departments to advise the vendors for strict compliance of uploading the invoice data in GST portal in line with the original invoices.
- Division may take action to recover GST in case vendor fails to upload the GST invoices in GST portal.

SYSTEMIC IMPROVEMENT SUGGESTIONS

- A nodal officer / finance officer shall be designated in the division for ensuring GST compliance & availing ITC.
- The nodal officer to co-ordinate with concerned departments, conducting periodic meetings and proactively address GSTR related issues immediately as non-availing ITC on monthly basis will result in payment of GST on outward supplies in cash.
- Establishing a standard invoice numbering format with supplier code, invoice date and sequence number will help in implementing automatic validation at invoice stage.
- The invoice numbering format to be incorporated in PO terms and conditions.
- The possibilities of deploying GST tools particularly for reconciliation and availing ITC are to be explored.
- Structured training program on GST procedures for the officers working in Outsourcing, IMM, Maintenance department etc. to be conducted.



DEMAND AND ACCEPTANCE OF MONEY BY ASSURING A JOB IN THE COMPANY

BRIEF OF THE CASE

During investigation on a complaint, it was revealed that an employee befriended with a job aspirant and on the pretext of arranging job in the company obtained Rs.5 lakhs from the complainant.

DEVIATIONS / IRREGULARITIES OBSERVED

- The employee came in contact with the complainant and assured him of arranging job in the company.
- On the insistence of the employee, the complainant registered his name in the employment exchange and applied for job in response to notification released by the company for recruitment of tenure based employees.
- The employee assured the complainant about his acquaintance with the senior officials of the company. Also, informed that to secure job in the company, money has to be paid to the officials.
- Complainant agreed and paid an amount of Rs.5 lakhs purportedly to be given to the senior officials in order to secure job as stated by the employee.

- In spite of constant follow ups, the complainant did not see any prospect of getting the assured job in the company.
- Due to constant threatening and warning, the employee gave him a cheque for Rs. 5 lakhs. However, the same was dishonored by the bank. Later, the employee absconded and abstained from duty.
- It was established that the employee had taken illegal gratification from the complainant on the pretext of arranging job in the company.

LESSONS TO BE LEARNT

- Public servants should not indulge in any activities in violation of company rules which will result in penal actions apart from causing disrepute to the company.

SYSTEMIC IMPROVEMENT SUGGESTIONS

- Awareness to be created among the employees against indulging in any corrupt activities or malpractices.
- Information to be provided in company website regarding unscrupulous people posing as agents or middlemen for recruitment and to caution the general public against falling into their nefarious schemes and assurances.

DEVIATIONS IN PROCUREMENT OF CAPITAL ITEM

BRIEF OF THE CASE

During the procurement of a capital item, a few deviations pertaining to preparation of specification and tendering process were observed.

DEVIATIONS / IRREGULARITIES OBSERVED

- Estimate was prepared based on the budgetary quote from only one supplier despite having multiple suppliers in the market and not referred previous procurement files while preparing the estimates and specifications.
- Specifications were prepared without referring to actual requirements based on the catalogue given by the supplier instead of contacting multiple OEMs.
- Higher specifications with additional cost have not been justified with reference to actual requirement as stated in the detailed project report (DPR).
- Quantity has been increased without recording reason and approval from competent authority for additional budget.
- DPR and budget sanction have not been adhered to while placing PO.
- Ambiguity observed in the OEM authorization letter issued to the Indian vendor.

LESSONS TO BE LEARNT

- Realistic estimation needs to be prepared based on the last purchase price (LPP) / budgetary sanction. Changes if any, related to specifications have to be recorded and approval of competent authority to be obtained before initiating tendering activity.
- In case of items not included in the DPR, specifications need to be formulated considering requirements and market study.
- In case of procurement of specific model, the item to be procured on proprietary basis directly from the OEM.

SYSTEMIC IMPROVEMENT SUGGESTIONS

- Specification and price of the past procurements if any, in the division and sister divisions of the organization for the same item are to be considered while preparing estimation.
- Ensure that specification & estimate are to be prepared as per the approved budget and changes if any, to be made with the approval of competent authority.
- Equipment with specific technical requirements needs to be procured from the OEM only.



INORDINATE DELAY IN SETTLEMENT OF CONTRACTOR'S DUES

BRIEF OF THE CASE

During investigation on a complaint, inordinate delay in settlement of a contractor's dues and misuse of official position in execution of two civil contracts awarded at a value of Rs. 93 crores were observed.

DEVIATIONS / IRREGULARITIES OBSERVED

- The contracts were awarded to a PSU construction company following the tendering process. As per terms & conditions of the contracts, the works have to be completed within 09 months, however works were completed after 09 years.
- After completion of the works, contractor was following up for final settlement of payment and release of bank guarantee (BG). However, officials have not acted even after 5 years of work completion.
- Contractor had not renewed the contractors all risk policy (CAR) in line with contract terms & condition. Officials have also not renewed the same as per contract terms but deducted the payment for the same.
- Officials have not released BG worth Rs 4.62 crores submitted by the contractor against retention money even after completion of defect liability period.

LESSONS TO BE LEARNT

- Successful completion of the work within the stipulated time is the essence of the contract. Similarly, timely settlement of the dues is also very important aspect of the contract.
- Deviation proposals to be initiated timely.
- Deductions if any, from the contractor's bill to be made strictly as per the terms & conditions of the contract.
- Default / shortcoming on the part of the contractor have to be communicated in writing.
- All the site records as envisaged in the works manual have to be maintained.
- Abnormal delay and other issues have to be brought to the notice of management from time to time.

SYSTEMIC IMPROVEMENT SUGGESTIONS

- If contractor fails to obtain CAR policy, the same shall be renewed by the company as per contract conditions and premium paid to be recovered from the contractor's bill.
- Meetings with the contractor are to be held to monitor the progress of the work and minutes of meeting to be prepared & signed.
- Contractor's claims with proper documents in line with work order have to be settled within the stipulated time.

IRREGULARITIES IN INSTALLATION AND COMMISSIONING OF CAPITAL EQUIPMENT

BRIEF OF THE CASE

A complaint alleging about irregularities in installation & commissioning of a capital equipment and payment to the vendor without proper prove out as per PO terms was received. On investigation, certain irregularities were observed.

DEVIATIONS / IRREGULARITIES OBSERVED

- Pre-dispatch inspection (PDI) was not carried out as per the purchase order terms.
- Functional test report (FTR), which was considered as the final acceptance document for processing payment to the vendor, was signed without proving out of the equipment.
- Full payment was released without ensuring functioning of the component in the machine.

LESSONS TO BE LEARNT

- Terms & conditions of the purchase order need to be meticulously followed while carrying out PDI and signing FTR.
- Due diligence to be ensured while accepting the component after conforming all the technical parameters as envisaged in the purchase order.

SYSTEMIC IMPROVEMENT SUGGESTIONS

- A checklist of acceptance criteria, as per PO terms must be filled, verified and signed by all the stakeholders while handing & taking over of the machine.
- The final minutes of meeting (MoM) and the checklist should form an integral part of the FTR.
- FTR to be signed by the officials authorized by the competent authority.
- Final payment to be released only after final prove out of machine as per PO terms.



IRREGULARITIES IN AWARD & EXECUTION OF MANPOWER CONTRACT FOR OFFICE ACTIVITIES

BRIEF OF THE CASE

During the investigation, irregularities and procedural lapses were found during awarding and execution of the contract placed for engaging contract labour for office support activities resulting in financial loss to company.

DEVIATIONS / IRREGULARITIES OBSERVED

- As per tender condition, in case the vendor/bidder had already signed omnibus Integrity pact with any divisions of the company and same was valid, then they could enclose a copy of the same as a necessary condition for qualification. However, some bidders did not mention about Integrity pact (IP) while submitting bids. The said facts were not put up to TEC for evaluation.
- Technical clarifications from bidders were obtained without the approval of TEC.
- Tender did not include any eligibility criteria for the manpower to be deployed w.r.t skilled categorization.
- As per contract terms, no payment to be made to the contractor till submission of Security Deposit (SD). SD was submitted with a delay of 06 weeks. However, officer-in-charge recommended payment with false declaration about submission of SD.
- Approval of Appropriate Technical Authority (ATA) to start the work in the absence of SD was not obtained as per Work manual.
- Penalty for delayed submission of SD was not recovered.
- Bank guarantee (BG) was accepted by hand and independent verification of BG was not carried out.
- Contract had provision of penalty for short supply of manpower beyond a threshold limit. However, no penalty was recovered for short supply and the officer-in-charge used to issue a letter to contractor every month to compensate the short supply.
- PO was released on lump sum basis instead of BOQ wise, against notified guidelines.
- As per contract, contract workers who were not covered under ESI should have been covered under workman compensation policy. However, policy was obtained with a delay of over nine months.
- Departments were forwarding certified biometric attendance output to office of officer-in-charge for payment. However, officer-in-charge consolidated the data in excel sheet for processing of payment, defeating the purpose of biometric attendance.

- Chronological record for distribution of uniform was not maintained which resulted in non-recovery of applicable penalty.
- Input tax credit (ITC) for the GST amount paid to contractor was not availed as the contractor failed to upload the invoice details in GSTR-1. This resulted in financial loss of Rs.55.25 lakhs. After consolidation of data for unclaimed GST-ITC w.r.t. the said contractor from all the divisions, the amount exceeded Rs 2 crores.

LESSONS TO BE LEARNT

- Dealing official to be more alert while evaluating bids w.r.t. tender. Tender to be evaluated w.r.t. merit of available bid, instead of importing personal knowledge into account.
- While executing the contract, care to be exercised to adhere to contract terms and conditions.

SYSTEMIC IMPROVEMENT SUGGESTIONS

- In order to bring uniformity, guidelines governing eligibility of deployed contract worker may be considered for release by Corporate HR.
- Manual consolidation of biometric attendance to be avoided and biometric output to be considered for release of payment.
- Guidelines issued for availing input tax credit for goods and services has to be strictly adhered.
- Clause to be included in the tender such that in case loss caused to the company due to GST default by the contractor, the same need to be recovered from the contractor.





— A Maharatna CPSE —

VIGILANCE DEPARTMENT

Hindustan Aeronautics Limited
Bengaluru

www.hal-india.co.in

Published on the occasion of **Vigilance Awareness Week - 2025**