

विश्लेषण-॥

Vishleshan-11

A Compendium of Vigilance Interventions

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Vishleshan-II

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FOREWORD

VISHLESHAN is an ambitious endeavour and truly one of the best preventive vigilance initiatives of Team Vigilance-HAL. It never fails to impress everyone with its excellence in terms of quality and attempt at sensitization of officials.

The compendium Vishleshan-II is yet another good effort by team vigilance to sensitize the executives about common pitfalls so that the same may be avoided as a preventive measure. The publication is the definition of appropriate problem-solving as it focuses on solving the conundrum of corruption at its very root. Explicit regulation sometimes hardly helps with issues like corruption. They are to be dealt with sensitization and raising awareness.

I would like to request all readers to give it a thorough and deliberate read-what it justly deserves. It will not only help us educate ourselves on vigilance centric issues but also eliminate them at their core by adopting an open mind approach and critical analysis.

I compliment Ms Kalyani Sethuraman, CVO-HAL and her team for this excellent initiative.

Jai Hind.

C B Ananthakrishnan

Chairman and Managing Director
Hindustan Aeronautics Limited





FOREWORD

In the context of an organization, vigilance means keeping a watchful eye on the activities of the personnel, taking prompt action to promote fair practices and ensure transparency in the official transactions. This aim is achieved mostly through the preventive vigilance activities carried out by the department.

Preventive vigilance activities have high impact on the whole organization while keeping the morale of the persons high. Also, most of the preventive vigilance initiatives are cost effective, impersonal and cannot be misused against any individual employee.

Corrective action recommendations made by vigilance department as part of preventive vigilance strategy, causes a change, which not only alters a fundamental system / process being followed but also improves the effectiveness of the whole organization. Most of the recommendations made are based on the live issues handled by vigilance officials.

It was felt that publication of such involvement by vigilance provides a learning opportunity for the future. The previous such publications by vigilance department received an overwhelming response which is the motive to come up with another such booklet – Vishleshan-II.

This release of the booklet during VAW – 2022 is in line with the narrative of Central Vigilance Commission which emphasizes preventive vigilance initiatives. The booklet covers the major issues handled by vigilance department and the system improvement / lessons to be learnt from the subject.

The compilation of the case studies will give an insight into the areas where mistakes happen regularly and steps to be taken to prevent such occurrence in future. I am thankful to management and all the officials who have put in strenuous efforts in the publication of this booklet.

Kalyani Sethuraman, IRAS

Chief Vigilance Officer

Hindustan Aeronautics Limited



IRREGULARITIES IN HIGH VALUE PROCUREMENT

OUTLINE / BRIEF OF THE CASE

The Technical Examiner (TE), Central Vigilance Commission (CVC) had carried out intensive examination of purchase order placed on a vendor on proprietary basis for supply of Turret Gun Systems by one of the divisions of HAL. During the intensive Examination, Technical Examiner had brought out certain observations in the report and had sought clarifications. Further, CVC has directed to carryout detailed investigation on certain issues brought out in report.

The Weapon Selection Committee (WSC) constituted by MoD, finalized three probable vendors. RFQ was issued to the three vendors on two bid limited tender basis for procurement of Turret Gun System.

Out of 03 vendors, one vendor was technically rejected and another vendor withdrew their proposal. Subsequently, technical issues were clarified with the third vendor. The competent authority accorded approval to sign the contract with the vendor for design, development and supply of 20mm Turret Gun for project and placement of annual production order every year upon successful completion of development phase and on receipt of customer orders. After legal vetting,

the contract was signed with the vendor. Based on the contract, development PO and first production PO was placed.

DEVIATION / IRREGULARITIES NOTICED

The validity of original offer had expired while seeking technical clarifications from the vendors including the successful vendor. The vendor also provided responses to all technical queries without commenting about the validity of tender expiry. The concerned officials overlooked the extension of validity of offer till completion of technical evaluation.

Prior to the opening of commercial bid, HAL requested the vendor to extend the validity of their proposal. In response, the vendor refused to extend the validity and also informed difficulties faced by them in submitting offer in standalone configuration as sought in RFQ.

Subsequently, with due concurrence of customer, the vendor was requested to submit revised offer for only integrated configuration, whereas, the same opportunity was not given to other vendors. Order was placed on the vendor, based on revised valid offer.

The vendor submitted eight bank guarantees, four for down payment bank

guarantees (DPBG) and remaining 04 were for performance bank guarantees (PBG).

Out of eight BGs received against various purchase orders, five BGs were found to have lesser validity period than the validity required as per BG format. Discrepancies in BG validity arose as the validity period of BGs indicated in terms & conditions of the contract differed from the BG formats enclosed along with the contract. This discrepancy led to difference in the required validity of BG and actual validity of received BGs.

During development phase order, vendor did not extend the validity of the BGs, as delay was attributable to HAL. Dealing officials had not brought out the discrepancies in the BGs to the notice of the vendor.

There was no requirement of encashment of BGs by HAL as the contract obligations were fulfilled by the vendor in all respects.

The material facts which came on record did not attribute that the officials had acted with any mala-fide intent. It is a fact that the official should have exercised their duty with due diligence. However, they were expediting the work in the larger interest of the company, with bona-fide

intention. Also, there was no financial loss for the company.

LESSONS TO BE LEARNT

Officials involved in procurement process need to ensure the validity of the offer before opening the price bids. They also need to ensure that the enclosed formats are in line with the terms & conditions of RFQ / PO.

SYSTEM IMPROVEMENT SUGGESTIONS

If delay occurs in technical evaluation and TEC doesn't provide the status on the same, then purchase department need to take up the matter with vendors for extension of validity of offers well in advance.

The progress of high value tendering cases to be reviewed by HoD of purchase department on monthly basis and status of the same to be brought to the notice of the divisional head in writing.

Guidelines issued with respect to verification of genuineness / authenticity / periodicity of the BGs, its formats and action to be taken on receipt of BGs to be adhered diligently.



IRREGULARITIES IN PROCUREMENT OF LED LAMPS

OUTLINE / BRIEF OF THE CASE

A source information revealed that LED (UV-A & White Light) lamps supplied by a vendor for the inspection at laboratory did not meet the purchase order specification. Quality officer of the division who was also representative of user department had checked & accepted the lamps at the time of his superannuation.

DEVIATION / IRREGULARITIES NOTICED

Technical specification of the LED (UV-A & White Light) lamp was finalized by an officer who was also representative of user department based on the budgetary quote and catalogue received from one of the vendors. On the basis of the same, MPR was initiated by the officials of the plant maintenance department.

During the tendering process, technical recommendations were given by the officer, accepting the quote submitted by a vendor, which was not meeting the requirement as regards to filter for UV rays & compliance to ASTM E3022.

On the basis of the recommendations made by the officer, the technical evaluation statement was prepared by the TEC comprising of plant maintenance department. However, they have not cross

checked the RFQ specifications of the lamp along with product catalogue provided by the vendor.

On supply of the lamp by the vendor, the same were inspected & accepted by the officer of quality department, even though they were not complying the RFQ / PO specification.

During the investigation, revalidation of the supplied lamps was carried out and revealed that product catalogue does not mention about the compliance to ASTM E3022 standard and filter for UV rays as per PO requirement. OEM also confirmed that the lamps do not have compliance to ASTM E3022.

LESSONS TO BE LEARNT

- Technical specification of the product was finalized by a single officer who was also representative of user department, whereas it should be done by a technical committee.
- Preparation of MPR on the request of user by other department should be avoided. User department should raise the MPR as indenting department.
- Technical recommendation should be done independently by TEC itself and not on the basis of recommendation by a single official.

SYSTEM IMPROVEMENT SUGGESTIONS

- Recovery of total cost for non-supply of the filter for UV rays from the vendor in order to make good the loss.
- The material purchase request (MPR) to be raised by the concerned department. The recommendation of TEC needs to be signed by the representative of user department.
- Dealing officer of the purchase department may follow up with the vendor till the completion of the supplies or otherwise and ensure closure of purchase order in all respects.



MIS-ASSEMBLY & IRREGULARITIES IN INSURANCE CLAIM OF ENGINE

OUTLINE / BRIEF OF THE CASE

During the scrutiny of pending insurance claim, it was noticed in one of the divisions that a claim of Rs.3.47 Crores in respect of damage caused to engine during the transit was pending for more than 02 years. The said engine was sent to OEM for testing. However, OEM identified mis-assembly. No testing performed & engine was returned as received.

When the engine was received by the division, it was noted that the same was dropped inside the container and its mounts dislodged thereby causing damage to the engine. Hence, insurance claim of Rs. 3.47 Crores was made by the division. The invoice value of the OEM was only considered for insurance premium at the time of transit and the value of the engine was not considered. Hence, the insurance company settled an amount of Rs.8.82 Lakhs even though the claim made by HAL was for Rs.3.47 Crores.

Additional expenditure of Rs.1.23 Crores was incurred by the division due to mis-assembly of the engine which include labour charge, cost of fuel for testing & transportation charges for sending engine to OEM for the 2nd time for test.

DEVIATION / IRREGULARITIES NOTICED

Build procedure prescribed by OEM was not followed during assembly / build which

resulted in mis-assembly of the engine. There was a mis-alignment of the pipeline noticed and known to all the concerned involved in the assembly / build of the engine but, no action taken on the same.

Divisional internal enquiry committee conducted the enquiry & submitted the report. However, no action was taken on the same.

Insurance company assessed the damage of Rs.8.52 Lakhs against the claim of Rs.3.47 Crores lodged by the division due to less invoice value shown during the transit of the engine and premium paid accordingly.

Discrepancy in engine value declared for insurance coverage during the transit was observed. Engine value plus invoice value of OEM was not considered for insurance premium during return transit. As insurance premium was paid less, insurance company assessed & settled less amount.

Settlement of the claim was not done by the insurance company even after 02 years of the claim.

LESSONS TO BE LEARNT

- Care to be taken for proper assembly / build of engines and in case of any technical issues to be clarified with OEM before proceeding further.

- For coverage of insurance material / machine value & other charges if any should be taken into consideration.
- Record of the assembly / build should be prepared & maintained by the respective department.

SYSTEM IMPROVEMENT SUGGESTIONS

- Officials to follow up with the insurance company for the early settlement of the insurance claim pending for 02 years.
- Officials to follow up regularly with the insurance company / surveyor for

settlement of the claims in future if any, at the earliest.

- Build procedure prescribed by OEM is to be followed for proper assembly / build of the engine and during the assembly / build of the engine proper documents to be maintained.
- For insurance coverage the total value of invoice & service provided to be included.
- Build procedure prescribed by OEM is to be followed for proper assembly / build of the engine and during the assembly / build of the engine proper documents to be maintained.



IRREGULARITIES IN PROCUREMENT OF SILVER BARS

OUTLINE / BRIEF OF THE CASE

One of the divisions of HAL was procuring silver bars for last ten years and most of the time through the same vendor on spot tendering and quantity was to the tune of 14 Kg to 93 Kg per year for manufacturing and supply of MSRB i.e. magnesium and silver based alloy castings required to produce aircraft items. The quantity of silver to be procured was decided based on the yearly production planning. The procurement was made in violation of applicable HAL purchase manual clauses.

During the scrutiny, it was revealed that the division was procuring silver bar through spot tendering beyond the limit of Rs.1.00 Lakh as mentioned in purchase manual, from the same vendor continuously for the last 10 years and more. Division was procuring the silver bar on spot tendering based on the reasons that:

- i) The market price of silver bar is highly volatile which changes on day-to-day basis and sometimes twice in a single day,
- ii) No vendor gives the quote validity for more than 01 day and the division requires the purity of silver at 99.90% which is not easily available in the market.

Estimate mentioned in the MPR (Material Purchase Request) for the procurement of

silver bar was obtained based on current market price (available online) on that day.

As per HAL purchase manual, spot tendering can be resorted to meet emergent requirements and the purchase under the spot tendering is limited to Rs.1 Lakh on each occasion.

After vigilance clarifications, in the year 2021 the division has changed the method of procurement from spot tendering to limited tendering by collecting the quotations through e-mail. The division got response from 07 vendors including new vendors.

The new vendors were contacted through discussions held with Indian Jewellers & Bullion Association, Mumbai. The purchase order for procurement of silver bar for the year 2021 was placed on L-1 vendor different from the previous vendor.

The previous suppliers also participated in the tender and remained L-2 and L-3 respectively who used to be L-1 and L-2 in procurements earlier to 2021.

The procurement of silver bar in the year 2022 was made through GeM portal and this time also the L-1 vendor was new.

DEVIATION / IRREGULARITIES NOTICED

Deviation from Purchase Manual - 2013 (Spot Tendering) was noticed. As per

purchase manual, spot tendering is to be resorted to meet emergent requirements, but here the procurement was for regular requirements. Also, the purchase under spot tendering was limited to Rs.1 Lakh on each occasion, whereas the division made procurement beyond Rs.1 Lakh in different years.

The new / probable vendors were not explored by the division. Only the old (local) vendors were being contacted during the spot tendering.

Division has not obtained the approval from competent authority for exceeding the spot tendering limits as specified in Purchase Manual-2013.

LESSONS TO BE LEARNT

Prevailing practices violating the standard guidelines of the company needs to be revised.

Any activity not mentioned in the manuals needs to be carried out after recording the specific reasons and with the approval of competent authority.

Registration of new vendors needs to be carried out on a regular basis.

SYSTEM IMPROVEMENT SUGGESTIONS

The matter pertaining to procurement of metals with highly volatile market rates such as silver bar needs to be brought to the notice of corporate office for formulating suitable guidelines and inclusion in purchase manual. The division needs to explore the feasibility on procurement of silver bar through GeM portal and pursue the existing vendors to register in GeM portal.



ENGAGEMENT OF DISMISSED EMPLOYEE AS CONTRACT LABOUR

OUTLINE / BRIEF OF THE CASE

An employee was dismissed from HAL service due to misconduct. He was engaged again in the company as contract labour through work package.

DEVIATION / IRREGULARITIES NOTICED

The request for skilled manpower was raised by the head of the department for the job of rolling of panels at sheet metal shop. The task of rolling of panels was being carried out by only one skilled operator and the department wanted to engage some contract labours to meet production requirement. Therefore, it was proposed for work package of the rolling operation of panel to meet the enhanced demand. An outsourcing purchase order was placed for the above activities. The ex-employee was working in the same department before dismissal. The employee was engaged to work in the same department

through the work package due to his skill and experience.

LESSONS TO BE LEARNT

Ensuring verification of credentials during labour engagement in letter & spirit.

SYSTEM IMPROVEMENT SUGGESTIONS

- The company has issued guideline that the division / officials need to ensure that no ex-employees who are dismissed / removed from the services of the company are engaged as contract labour either directly or indirectly through man power supply agency.
- A complete review of the contract labour engaged was carried out in the divisions / offices to ensure that no ex-employees who have been dismissed / removed from the services are engaged.



SUBMISSION OF FAKE EDUCATIONAL CERTIFICATES TO GAIN EMPLOYMENT

OUTLINE / BRIEF OF THE CASE

Through source information, it was learnt that an employee of HAL has submitted forged / fake educational qualification certificate at the time of joining HAL. On verification of his educational certificate from the concerned educational authorities, it was found that the information given by the source was correct.

DEVIATION / IRREGULARITIES NOTICED

As part of verification process, head of the educational institution from where the employee has passed his examination was contacted. In response, it was advised to approach the concerned state educational authorities to ascertain the veracity of the marks card. Accordingly, vigilance department approached concerned state educational authorities.

The state educational authorities confirmed that the marks card produced for verification is not tallying with the records. The concerned employee has obtained job in HAL by submitting fake marks card and served for 19 years as the same went unnoticed.

LESSONS TO BE LEARNT

Educational certificates submitted at the time of appointment have to be verified from the concerned authorities before confirmation of appointment.

SYSTEM IMPROVEMENT SUGGESTIONS

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



FRAUDULENT TRANSACTIONS IN CORPORATE CREDIT CARD ACCOUNT

OUTLINE / BRIEF OF THE CASE

In one of the divisions, there were a total of 7 unauthorized transactions at a particular time from SBI corporate credit card (Visa) issued by company to purchase department for handling emergency online purchases. Within a span of 06 minutes a total value of Rs. 16,47,705/- was debited instantly from the mentioned credit card account. After receiving the message of first debit transaction on the connected mobile number, concerned official of purchase department tried to block the credit card immediately using all three methods mentioned in corporate card helpline. But all the three methods i.e. customer care no / SBI website / SBI credit card office were not working and hence, blockage of credit card could not take place immediately. The blocking of credit card happened only after the officer directly called on the mobile of SBI bank official on the same day.

DEVIATION / IRREGULARITIES NOTICED

There were no company wide SOP / guidelines for the users of such credit card holders, about the actions to be

taken in such circumstances. There was no provision of one-time password (OTP) based transaction in this case.

LESSONS TO BE LEARNT

As per RBI guidelines on credit card the customer liability is zero, if the customer notifies the bank within three working days of receiving the communication from the bank regarding the fraudulent / unauthorized transaction. Hence, the officers who are in possession of the credit card to be suitably advised to update the communication details such as mobile number & emails whenever there is a change in custodian of the card and ensure that no communication with respect to card transaction goes unnoticed.

SYSTEM IMPROVEMENT SUGGESTIONS

As per extant guideline, the maximum limit for a single transaction through credit card is Rs.1 Lakh. The division was asked to approach credit card / bank to get the facility of setting up the limit of the card for a single transaction of Rs.1 Lakh with OTP.



IRREGULARITIES IN INTERNAL PROMOTION SCHEME OF WORKMEN

OUTLINE / BRIEF OF THE CASE

Surprise check task on “promotion of workmen – movement from one channel to the next channel was carried out by vigilance department. The procedure for movement from one channel to the next channel on acquiring higher qualification by the employees in time scale promotion (TSP) and career plan promotion (CPP) are notified by the company. Nine employees of the division had acquired higher qualification and subsequently their channel was changed from channel C to channel D during the period from 2010 to 2016.

DEVIATION / IRREGULARITIES NOTICED

As per channel change orders, the effective dates of channel change were not mentioned in the channel change orders, since they had acquired higher qualification on different dates during the period from 2010 to 2016. Channel change of two diploma holder workmen was rejected initially quoting wrong corporate office circular whereas both of them were eligible for channel change. Channel change of 06 workmen who acquired professional qualification, making them eligible for promotion in the year 2012 / 2013 had not been effected by

concerned department even though they were eligible. The financial benefits were granted with retrospective effect. Approval of competent authority was obtained in general and consequent on promotion, pay fixation approval for grant of financial benefits w.e.f. 2016, 2017 and 2018 were mentioned against their names. No clear explanation was brought out in the note sheet explicitly quoting the relevant sections of company circulars for such grants. There were procedural lapses on the part of concerned officials who had not changed channel of eligible workmen who have acquired requisite higher educational qualifications and also their promotions were regularized timely as per applicable circulars.

LESSONS TO BE LEARNT

- Promotion cases on account of channel change should be carried out based on the instructions issued by the company from time to time.
- Process of channel change needs to be streamlined without undue delay and the order should specify the effective date of channel change.
- Awareness needs to be created amongst the employees that incorporation of PQ (professional

qualification) and application for channel change are to be submitted to the concerned departments on acquiring the prescribed PQ.

SYSTEM IMPROVEMENT SUGGESTIONS

- Review of all promotion cases on account of channel change across the divisions of HAL. The review needs to be carried out based on the instructions issued by the company.
- Processing of channel change needs to be streamlined without undue delay and the orders should specify the effective date of channel change.
- Awareness to be created amongst the employees that incorporation of PQ and applications for channel change are to be submitted to the concerned department immediately after acquiring the prescribed PQ for effecting the channel change. Avoid waiting for the notification to be released by the concerned department so that chances of slippage are prevented.
- In case of any ambiguity in interpretation of the circulars, clarification needs to be sought from corporate office.
- Necessary guidelines need to be issued with regard to grant of promotions with back dated seniority along with financial benefits.



ACCEPTANCE OF PIRATED SOFTWARE

OUTLINE / BRIEF OF THE CASE

A complaint was received by the division regarding acceptance of pirated software and subsequent payment. On scrutiny, it was observed that TEC declared four tenderers technically qualified in spite of their failure to submit OEM authorization. On one hand, the user recommended cancellation of the order because the vendor has provided an old and unacceptable OEM authorization certificate and on the other hand they recommended for payment by accepting the same documents which were not acceptable to them earlier. Due to the negligence of indenting department, the division procured software from unverified and unregistered source and payment has been made to the vendor in spite of their failure to provide OEM authorization certificate.

DEVIATION / IRREGULARITIES NOTICED

Indenting department in contravention to purchase manual clause i.e. correspondence with vendors has directly contacted the vendor during TEC stage. On one hand, the user recommended cancellation of the order because the vendor has provided an old and unacceptable OEM authorization certificate and on the other hand they recommended for payment

by accepting the same documents that were not acceptable to them earlier. IT department has downloaded the software using unverified non-OEM link provided by the vendor, thereby jeopardizing HAL's interest. The vendor was found to be involved as four or more business entities. Indenter failed to notice that in the GeM sanction order, the name of the firm and their email ID did not match. This should have given rise to doubt the genuineness of the firm.

LESSONS TO BE LEARNT

The procurement case appears to be a case of pirated software / unauthorised redistribution, casual copying or soft-lifting. Such software may contain malware and prone to hacking. Casual copying occurs when people share software in a way that violates the Microsoft software license terms. For example, if that copy of MS Project were to be shared with another person and installed on that other person's computer, that would compromise ethics.

Further, it appears that vendor had not incurred any cost towards procuring the software from M/s Microsoft and has given all the five licenses of MS Project 2019 that were already installed in another computer system(s).

SYSTEM IMPROVEMENT SUGGESTIONS

Standard operating procedure (SOP) or checklist for indenting department could

be formulated to avoid occurrence of such incidences in future.

Sensitisation on regular basis of all stakeholders who are involved in procurement through GeM.



IRREGULARITIES IN ALLOTMENT OF QUARTERS

OUTLINE / BRIEF OF THE CASE

Company allots quarters to its eligible employees as per the seniority list maintained by the welfare department of the division.

It was learnt that one A type quarter was allotted to a state police official who was posted at nearby police station by the township official without any due approvals from the competent authority. Electricity and water bills were also not billed against that quarter.

The occupant has not submitted application / written request for the allotment of quarters.

DEVIATION / IRREGULARITIES NOTICED

The quarter was occupied by an outside agency / official without any due approvals from the competent authority.

The undertaking obtained by the township official for temporary allotment for 08 days only.

The township officials were well aware of the fact that the quarter was occupied by an outsider for which no objection was raised.

Township officials have failed to maintain the records of specific quarters and shown as vacant in their list.

There is no proper laid down policy towards allotting quarters on temporary basis. Temporary allotment is being carried out without any approvals.

LESSONS TO BE LEARNT

A comprehensive policy is required for an effective management of the quarter's allotment on temporary basis.

There is a need to have proper monitoring system of allotment of temporary quarters. Coordination between the staff and officials of township department is essential for checks and balances.

SYSTEM IMPROVEMENT SUGGESTIONS

Proper documentation needs to be maintained for handing over and taking over of quarters.

Quarter Allotment Information Management System (QAIMS) to be made user friendly and there is a need to update the data on the same. It should provide the real time information on the status of quarter allotment / seniority list / vacant quarter list / temporary allotment, etc.

Township department being a sensitive area, job rotation of executives and staffs working there may be carried out for effective and smooth functioning of the department.



AVAILING MEDICAL FACILITY FOR SPOUSE BY SUPPRESSING THE EMPLOYMENT STATUS

OUTLINE / BRIEF OF THE CASE

A complaint was received alleging that an officer against change of caste as well as non-submission of declaration of employment status of wife for availing medical facility and involvement in private business.

DEVIATION / IRREGULARITIES NOTICED

During verification it was found that as per extant company policy, a written undertaking should be obtained from SC / ST candidates being considered for appointment / promotion to higher post on each occasion to the effect that he continues to belong to SC / ST categories and his caste has not been de - scheduled. He should also undertake to inform any changes in his religion and caste so that the benefits admissible to SC / ST candidates are not deprived. In this case, no information as well as undertaking was given by the officer.

It was also found that the wife of the officer was working in a private university and officer has availed the reimbursement of medical claims of his wife without

submitting an undertaking for availing company medical facility in writing and counter signed by the organization where his wife was working within three months of joining the organization as per extant company policy. It was also found that officer was using his four wheeler in taxi services.

LESSONS TO BE LEARNT

- Any change in the status of caste needs to be informed to concerned department by the individual.
- For availing medical facility in respect of working spouse, submission of undertaking countersigned by the organization where spouse is working should be ensured within three months from the joining of organization by the spouse.

SYSTEM IMPROVEMENT SUGGESTIONS

At the time of promotion of SC / ST candidates, concerned department should ensure that the employee continue to belong to the SC / ST category.



NON-VERIFICATION OF CASTE CERTIFICATE

OUTLINE / BRIEF OF THE CASE

During the scrutiny of personal files in one of the divisions, it was noticed that concerned department has not carried out caste verification of the employees since long.

There were anomalies in interpretation of guidelines and up keep of records pertaining to reserved category employees.

DEVIATION / IRREGULARITIES NOTICED

It was noticed in a few cases that concerned department had not sent any request for caste verification of employees selected against reserved category to concerned district authorities.

It was observed that the status of caste verification of the reserved category employees was not reviewed periodically.

In contradiction to guidelines issued, there was no mention in provisional offer of a few employees that the concerned employee was appointed against a reserved vacancy.

In the case of a few employees, there was no mention in the confirmation letter of

the employees that they are confirmed pending caste verification.

It was also noticed in the case of a few employees that the dealing officers of concerned department misinterpreted the selection of the employees on their own merits under 'unreserved category'. Hence, caste verification process was not initiated and treated their caste status as general for all purposes.

LESSONS TO BE LEARNT

- Timely follow up of caste verification has to be ensured to avoid future complications.
- In case of reserved category employees, their personal records should be maintained in line with company policies.

SYSTEM IMPROVEMENT SUGGESTIONS

CO-HAL issued consolidated guidelines comprising extracts of Govt. guidelines and policies of HAL on procedure to be adopted for verification of caste certificate submitted by the employee at the time of recruitment.



PROCUREMENT OF COMPUTERS THROUGH GeM PORTAL

OUTLINE / BRIEF OF THE CASE

One of the divisions has issued tender in GeM portal for procurement of 200 No's of desktop computers for a specific project. One of the prospective bidders complained through e-mail that the subject tender was restrictive and requested to modify the RFQ to accommodate other processors which also meets the HAL technical requirements.

DEVIATION / IRREGULARITIES NOTICED

The division in the initial tender has included Intel Core i5 processor only. The reason was that desktop computers in the division were used not only for office applications but also for working / accessing on PLM, CAD / CAE / CAM files for design and development activities and require higher compute power and be very much reliable. Hence, previous procurements of computers in the division were based on Intel Microprocessor.

Based on the complaint received from vendor and model technical specifications of desktop PC's issued by Ministry of Electronics and Information Technology (IPHW division) dtd. 12/5/2021, the technical specifications were revised with the approval of technical committee and re-tendered in GeM portal.

The above re-tender resulted in wider participation and more competitive prices.

LESSONS TO BE LEARNED

- The public procurement policy rests upon core principles of competitiveness, adhering to sound procurement practices, and execution of orders for supply of goods or services in accordance with a system which is fair, equitable, transparent, competitive and cost effective.
- The specification should be objective, functional, generic and measurable and all the known and possible sources for the supply of a particular material are made aware of the requirements.

SYSTEM IMPROVEMENT SUGGESTIONS

- Follow guidelines issued by Ministry of Electronics and Information Technology (IPHW division) dtd. 12/5/2021 while tendering the requirement for computers.
- The concerns raised by the vendors should be taken into consideration by the buyer / tendering agency.
- The tenders should include generic specifications to the extent possible to ensure maximum participation of vendors.



IRREGULARITIES IN ISSUANCE OF SAFETY SHOES

OUTLINE / BRIEF OF THE CASE

In one of the divisions of HAL, officials working in stores department had misused their official position and had involved in the following irregularities in issuance of safety shoes to the employees:

Officials had recorded / affixed the signatures in the shoe issuance documents of the division against superannuated employees and transferred employees.

Officials had issued safety shoes to the employees without obtaining their signature. However, the safety shoes were issued just by inserting the words "ISSUED" in the signature column.

Officials had received safety shoes in their names while they were not eligible for the same. Further, they have also availed voucher payment of Rs. 1500/-.

A complaint was received from an employee working in the stores section with respect to the irregularities in issuance of safety shoes in stores department.

During scrutiny, it was revealed that there were irregularities in issuance of safety shoes. Also, the signatures of some employees who had superannuated had been forged and fake entries had been made for issuance of safety shoes against their names.

It was observed that a few employees had availed both safety shoes and shoe voucher @Rs.1500/-.

During scrutiny, it was noticed that safety shoes were issued just by inserting the word 'issued' in the signature column against the names of some of the employees on their superannuation.

It was also noticed that material requisitions (MRs) for safety shoes were neither requested by the user department / HODs nor properly authorised / approved by competent authority. However, for issuing other safety items in the division, MRs were raised by user department / HODs and it was further authorised / approved as per existing norms in the division.

Material requests and procurement files of safety shoes were not kept / maintained in the division as per the guidelines mentioned in the purchase manual for the same. During the scrutiny, it was noticed that one of the officers had shared his IFS credentials with the staff / casual worker and he had not ensured to check that MRs are regularly generated against his name.

During the scrutiny, it was noticed that one of the officers posted as Head of stores in the division had failed to maintain / control the safety shoes issue list. Due to lack of supervision, the documents / list had been fabricated and forged.

DEVIATION / IRREGULARITIES NOTICED

The officials of the stores department were responsible for the following irregularities:

- The list provided for issuance was not cross-checked for genuinity before issuance of safety shoes.
- Safety shoes issued and balance were not verified and tallied duly during the entire check period.
- Responsibility for safety shoe issuance, taking signatures of employees and keeping account of the balance unissued safety shoes was left with store keeper alone.
- Not maintained and secured the record of issuance of safety shoes.
- Recovery of shoe voucher payment @ Rs.1500/- were recommended / made from the officials who has taken both the safety shoes as well as shoe allowances.

LESSONS TO BE LEARNT

- Material request for the safety shoes should be raised, authorized / approved and issued in line with other safety items being distributed / issued to the employees in the division.
- Prevailing practices should be avoided if it violates the existing norms / rules.
- Use of IFS ID and password should be as per norms of the company IT policy.

SYSTEM IMPROVEMENT SUGGESTIONS

- Approval for material request needs to be obtained as per the extant guideline like other safety items.
- Maintain procurement files as well as safety shoe issuance details / data as per purchase manual.
- Issue safety shoes through concerned departments.



SUBMISSION OF FAKE & FORGED DOCUMENTS BY CONTRACTOR

OUTLINE / BRIEF OF THE CASE

During the tender process, all the bidders are required to submit requisite documents in support of their experience and quality certificates as part of pre qualification criteria, as per works procedure.

A complaint was received by vigilance department that a contractor, who had bagged several contracts, had submitted fake and forged documents in order to secure contracts. When the case was investigated, it was found that the contractor had forged documents and technical evaluation committee (TEC) had erred in their evaluation.

DEVIATION / IRREGULARITIES NOTICED

The contractor had forged the work completion certificates submitted by them to HAL. The certificates were purportedly issued by one of the sister divisions of HAL. Since the certificate was from HAL sister division, the committee felt that there was no need to further verify the certificates as per HAL's procedure.

The quality related certificates submitted were not found genuine.

The contractor had changed the business structure from proprietorship to private

limited and also changed the name. However, during technical evaluation (under 70:30 weightage), it was observed that the credentials of the old business structure i.e. proprietorship were taken into account to award the marks in violation of RFQ conditions.

During execution of the contracts, the contractor had submitted fake documents of ECRs (Electronic Challan cum Receipts – for remittance of PF of contract labours).

Errors and ambiguity were found in general conditions of contract (GCC).

PF & ESI receipts and bank statement for wage payments were not submitted monthly and were submitted along with RA (Running Accounts) bills which were raised once in two or more months.

The contractor was remitting ESI contribution under the code obtained from regional office of another state. Hence, contract labours faced difficulty when they approach local ESI hospital for medical care.

The attendance of the contract labours was maintained manually which was prone to manipulations.

Labour License was not secured by the contractor before commencement of the work.

LESSONS TO BE LEARNT

All the documents submitted by the contractors especially those submitted under pre qualification criteria needs to be invariably verified even if issued by sister divisions of HAL.

The contract section prepares & co-ordinates technical evaluation before being forwarded to TEC. Hence the contract section should follow due diligence while verification of documents during technical evaluation.

Engineer-in-charge of the contract should diligently follow the terms and conditions of the PO.

SYSTEM IMPROVEMENT SUGGESTIONS

- The GCC document needs to be revised incorporating latest technical or statutory guidelines.
- Obtaining of sub-codes from ESI, if the successful bidder is not in possession of the main code locally, needs to be made mandatory.

- Penalty clause need to be included for non-submission of labour licenses or any other non-compliance to statutory requirements.
- As per latest amendment of HAL works manual, bidders need to submit at-least one quality related certificate. However, to ensure genuineness and maintain the right quality standards, this certificate needs to be issued by an agency accredited by NABCB (National Accreditation Board for Certification Body). Hence, the said clause is required to be amended accordingly and needs to be made mandatory.
- Installation of biometric readers to record attendance of labours is to be made mandatory to prevent manipulation.
- The proposal to ban the contractor permanently from business dealings with HAL is in progress and the division is directed to forfeit pending security deposit of the contractor.



SUSPICIOUS BANK TRANSACTION BY AN EMPLOYEE

OUTLINE / BRIEF OF THE CASE

One of the HAL employees has made several suspicious cash transactions i.e. aggregate cash withdrawals of Rs.45,000/- & aggregate cash deposits of Rs.13,31,000/- in the bank during the demonetization period which were inconsistent.

DEVIATION / IRREGULARITIES NOTICED

Bank transaction details of the employee revealed that during the demonetization period, he had deposited huge quantity of old notes amounting to Rs.13,19,000/- into his SB A/c No. in a single day through 03 Pay in slips.

Further, during scrutiny of the Bank statement of employee, it is noted that 39 transactions amounting to Rs. 22,41,698/- was made for transfer of money from his account to various accounts during the demonetization period which were inconsistent.

A surprise check carried out at the work spot of the employee revealed that he was engaged in private work / business & collecting money from employees for the chit fund etc. inside the factory without the permission of the competent authority which is against the certified standing orders of the company.

Government of India implemented demonetization in the year 2016 for the purpose of stripping the Indian economy of black money, insist people to pay taxes for the unaccounted pile of cash in their possession etc. However, employee had colluded with unauthorized persons to illegally exchange huge quantity of old high denomination currency notes through bank transactions which is a breach of law prevailing at the point of time.

LESSONS TO BE LEARNT

- Being a public servant, one has to abide by the government guidelines issued from time to time as violation of the same will not only against the national interest but brings disrepute to the company.
- Being employee of the company, one shall not engage in commercial activity / trade / business without the permission of the competent authority as it was against the conduct rules / certified standing orders of the company.

SYSTEM IMPROVEMENT SUGGESTIONS

Sensitise the employees not to engage in commercial activity / trade / business which is against the conduct rules / certified standing orders of the company.



DEMAND OF CASH FOR PROVIDING JOB

OUTLINE / BRIEF OF THE CASE

An employee had disguised himself as Deputy Manager / Personal Assistant to a senior officer of HAL and demanded an amount of Rs.4 Lakhs and Rs.5 Lakhs each from a dentist and an engineer respectively by giving a false promise of providing job in HAL. Believing that the individuals have transferred an amount of Rs.2 Lakhs each to the SB account of the said employee. Later, when the complainants realized that they have been cheated, they demanded their money back. However, the employee did not return the money.

DEVIATION / IRREGULARITIES NOTICED

The employee illegally collected the money from the prospective job seekers and during investigation the allegation was substantiated based on documentary

evidence, bank transactions etc. submitted by the complainants. In order to gain confidence of the job seekers, the employee collected all the copies of documents like marks cards / service certificate, etc and even gave a copy of his identity badge and a signed blank cheque for surety.

LESSONS TO BE LEARNT

Awareness to be created among the employees, contractors or other service providers and the public to be aware of such frauds.

SYSTEM IMPROVEMENT SUGGESTIONS

It is suggested that the information to be provided in HAL website on recruitment procedure followed in HAL and also caution against such fraudulent activities.



SUBMISSION OF FALSE CASTE CERTIFICATE

OUTLINE / BRIEF OF THE CASE

One of the employees had joined the services of the company by submitting fake OBC certificate. The certificate was obtained with the collusion of State Govt. officials stating that the employee resides in rural area.

DEVIATION / IRREGULARITIES NOTICED

The employee had joined HAL for the post reserved for OBC category. As per Resolution of Govt. of India, Ministry of Welfare Department, the community of the employee is recognized as backward class, provided the applicant should reside in rural area only.

During the investigation, it was revealed that the employee was residing in urban area. However, while joining HAL, he had obtained & submitted OBC certificate stating that he resides in rural area in order to claim reservation.

Vigilance department has taken up verification of the OBC certificate submitted by the employee with the District Collector. It was ascertained that as per the records, the employee was residing in urban area & not residing in rural area. The employee has obtained OBC certificate by submitting false documents. District Collector also stated that as per the Central Govt. circular, there is no provision to issue OBC certificate to the said community

residing at urban area and person residing in rural area shall only be entitled.

In all the documents submitted by the employee since his appointment in HAL revealed that he had mentioned his permanent / residential / correspondence address which comes under urban area and in none of the documents he has mentioned his address as rural area except the OBC certificate which is revealed to be obtained by submitting false documents as reported.

LESSONS TO BE LEARNT

- A thorough verification of the documents had to be carried out at the time of appointment itself.
- The confirmation of the candidate had to be done after completion of the verification process.
- Getting employment on the basis of fraudulently obtained caste certificate did not only result in recruitment of wrong person but also deprive right of the eligible candidates.

SYSTEM IMPROVEMENT SUGGESTIONS

- The verification of the candidate should be in a prioritized time bound manner.
- The address and the area mentioned thereon need to be verified with the help of improved internet and updated data base apart from verifying with the govt office.



SUPPRESSION OF FACTS AT THE TIME OF RENEWAL OF VENDOR REGISTRATION

OUTLINE / BRIEF OF THE CASE

As per the source information, a supplier intentionally suppressed the following facts in the application form submitted for 'Renewal of the Vendor's Registration'

- Special CBI court sentence of Rigorous Imprisonment.
- A fine for causing of loss to a Defence Public Sector Undertaking.
- Banning of the supplier's another firm for 5 years' by one of the Defence PSUs.

DEVIATION / IRREGULARITIES NOTICED

A vendor registered his company with a division in 2008 and the registration got expired in 2019.

The same vendor registered another company in the same year with the same address. The supplier applied for renewal of registration of the second company, in which he declared the details of the first company owned by him.

In the application form for renewal of registration, the said vendor suppressed the facts with respect to his previous registration and also banning by another

PSU. The vendor registration committee without verifying the credentials, recommended for registration / renewal and the competent authority approved the same.

Later, it came to notice of the management that the firm was banned for 5 years by a PSU for supplying spurious components and causing loss to their organisation. The proprietor was under bail from high court on a CBI case.

As per the terms and conditions of award of registration letter, any false information / misrepresentation / suppression / distortion of facts in the application for registration at the time of assessment, the same will be resulting in cancellation of registration and the division shall reserve the rights to take suitable action.

LESSONS TO BE LEARNT

- The officials who receive the application form for renewal of vendor registration need to check / verify the credentials thoroughly before forwarding the same to the vendor registration committee.
- The members of the vendor registration committee need to

verify all columns of the application form irrespective of their individual responsibilities, before putting up to the competent authority for approval.

SYSTEM IMPROVEMENT SUGGESTIONS

- Concerned officials & the members of the vendor registration committee

need to be sensitized / cautious while receiving / checking the application form and processing the same for approval of competent authority.

- It should be made mandatory for the vendor to fill all the fields of the application form online and the form once filled be downloaded, signed and submitted to HAL by the vendor.



WRONGFUL CLAIM OF HRA BY FIELD SERVICE REPRESENTATIVES

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

DEVIATION / IRREGULARITIES NOTICED

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

An employee was found holding two quarters, one at the headquarters and the other at the base provided by the

customer. He had also claimed TA / DA for family to the base station despite retaining the quarters at the headquarters.

The concerned department neither verified whether the employee was allotted accommodation by the customer nor obtained undertaking before recommending HRA.

LESSONS TO BE LEARNT

- Employees should promptly disclose the facts to appropriate authority.
- Concerned officials should follow due diligence to check whether company guidelines are followed by the employee when financial benefits are extended to them.

SYSTEM IMPROVEMENT SUGGESTIONS

- In ERP system, flag needs to be generated while HRA is made admissible by the concerned officials to FSRs.
- The ineligible HRA payments made to the employee and market rent for retaining company quarter at headquarters to be recovered from the employees.



SUBMISSION OF MANIPULATED DIPLOMA CERTIFICATE TO GET TENURE BASED EMPLOYMENT

OUTLINE / BRIEF OF THE CASE

A complaint was received against a tenure-based employee for submitting forged certificate during his appointment in HAL.

DEVIATION / IRREGULARITIES NOTICED

During the scrutiny of his personal file, minimum requirement for selection was diploma in engineering or equivalent with 60% marks. He has declared the percentage of marks as 65.55% in the application and had submitted certificate with the same percentage of marks. Details were verified with concerned organization and found that he scored 55.5% marks in the diploma certificate issued by that organisation. The

employee had forged / manipulated the diploma certificate to meet the minimum requirement of marks to qualify for the selection.

LESSONS TO BE LEARNT

Educational certificates / marks card submitted at the time of appointment need to be verified from the concerned authorities before confirmation of appointment.

SYSTEM IMPROVEMENT SUGGESTIONS

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



IRREGULARITIES IN PROCUREMENT OF CARTRIDGES

OUTLINE / BRIEF OF THE CASE

During scrutiny of files, it was noticed that chunk of the purchase orders placed for procurement of cartridges are on a particular vendor only. Since the items were readily available and many resellers were present in market, the reason for award of purchase orders only to one particular vendor was further analysed. Certain discrepancies were noticed during the scrutiny.

DEVIATION / IRREGULARITIES NOTICED

As per HAL purchase manual, “procurement of spares, (including consumables like cartridges / tonners etc for printers / xerox / fax machine) required or compatible with the existing equipment from OEM and procurement from manufacturer / retail outlet / authorized distributors for an item of proprietary nature will also be covered under proprietary procurement”. However, the division has neither tendered the procurement of cartridges on proprietary basis nor insisted for authorization letter from OEM.

The division has sent enquiry to number of outlets / distributors. The response from the vendors was not satisfactory. Most of the vendors included in limited tender had not responded to HAL enquiry. Also division had not registered any additional

authorized resellers / distributors in the division so as to increase competition.

The division had not insisted for OEM authorization and as such OEM non-authorized vendors had also participated in the tender. As per extant guidelines, OEM authorization was necessary to confirm the genuineness of the supplied items.

Based on the unsolicited email received from an official of OEM, the ongoing tender was cancelled after opening of quotes and retendered the items with the probable sources of supply as suggested by the said official. During second tendering, the same vendor was L-1 for all the items. There was an upward increase of prices when L-1 rates of previous tender compared to the present quote.

The email received from OEM official was not based on any clarification from HAL and was immediately acted upon without verification from the competent authority of the OEM.

The division had not taken cognizance of the undue interference by OEM officials in HAL tendering process. The division also did not revert back to OEM officials enquiring whether the vendors in previous tenders to whom RFQ was forwarded are authorized resellers of OEM or not.

There appeared a cartel formation which had not been observed by the division.

As the divisions had not included 'Fall clause' in the purchase orders, the vendor had supplied the same item at different rates to divisions of HAL.

The division had not carried out market survey to arrive at the estimates as per purchase manual. Most of the time, the estimates were prepared based on previous PO's placed on the same vendor.

LESSONS TO BE LEARNED

- The division should follow proprietary tender procedure for procurement of cartridges as per HAL purchase manual.
- RFQ should be forwarded only to OEM or OEM authorized resellers only. Sending RFQ to non - authorized resellers was found to be a deviation.
- The division should insist for authorization certificate from OEM for procurement of printer cartridges in order to ensure genuineness.
- The division should not entertain unsolicited e-mails even from OEM officials without verification / cross checking.

- Cancellation of ongoing tender merely on receipt of unsolicited e-mail needs to be avoided.
- The concerned divisional authorities should be careful of cartel formation by vendors especially when one vendor becomes L-1 for all the items and another vendor becomes L-2 for all the items.
- Inclusion of 'Fall clause' would have binding on the vendor to supply the items at the same price or less to HAL compared to his supply in other divisions of HAL / other organizations in the same period.

SYSTEM IMPROVEMENT SUGGESTIONS

- Centralized rate contract with OEM needs to be explored for procurement of cartridges.
- Rate contract for hiring of printers based on cost analysis and feasibility study
- Tendering process through GeM portal.



REJECTED ITEMS / PENDING INSTALLATION

OUTLINE / BRIEF OF THE CASE

Scrutiny of items rejected and not replaced / recovered for the period from 2011 to 2019 was carried out in one of the divisions. There were 39 Part Disposition Orders (PDOs) raised in 17 POs during the check period & items rejected had not been replaced by the respective vendor and POs were not closed due to various reasons.

The total value of the rejected items was amounting to Rs.4.5 Crores. It is noted that advance payment was made in some of the cases & in some cases no payment had been made to the vendor. However, no action was initiated by the concerned officials for replacement / recovery since long period. After the vigilance intervention, action was initiated by the divisional management for logical conclusion and closure of all the pending PDOs.

DEVIATION / IRREGULARITIES NOTICED

In one of the POs, the order was placed in the year 2012 on a foreign vendor for the procurement of deburring machine for production of blades & discs for a value of Rs.3.3 Crores. Machine was delivered by the vendor & installed in the year 2014. Prove out of blades was completed & handed over for production of blades. However, vendor could not prove out the discs. Payment of 90% of PO value was made & 10% of PO value was held by the

division. Vendor was not communicating / responding to the division since 2019 and commissioning of the machine was not completed.

In another PO, order was placed on foreign vendor for the procurement of tracing system on proprietary basis in the year 2013. 100% advance payment had been made & the unit was delivered.

Vendor did not come for installation of the unit as per PO. The unit, when installed by the division, it was not functioning properly. As communicated by the vendor unit (partial) was dispatched to vendor in May-2014 for warranty repair. Vendor did not agree for warranty repair claiming that the unit was altered during installation by HAL & sought advance payment for repair. Division proposed sight draft or LC payment, but the same was not accepted by the vendor. In the year 2017, vendor intimated that the unit was sold to cover the repair charges. Thereafter, no follow up was made by the division for retrieving the unit.

Advance payment was made in some POs & rejected items were returned to vendor for replacement. However, no correspondence / follow up were made by the officials for replacement / recovery of the amount of rejected items.

In some of the POs, no payment had been made. However, rejected items were sent to vendor but replacement was not

received, no follow up was made & PO was kept alive since many years.

There were cases, wherein items received could not be accepted due to issues like CoC (Certificate of Conformity) color of the item not matching with the PO specification, etc. These issues were not taken up with the vendor and also not followed up. POs were not closed and not brought to logical conclusion since long period.

LESSONS TO BE LEARNT

- As the installation & commissioning of the machine was not carried out by the vendor and HAL has made 90% payment resulting in loss to the division as the advance payment paid to the vendor for the machine has not been realized since many years.
- Officials of the cross functional departments had spent substantial amount of time & resources in following up with the vendor for commissioning of the machine which has not been given any result.
- The officials are not adhering to PO terms & conditions with regards to installation & commissioning of the machine which later affects the claim of HAL in case of any default by the vendor.

- PDOs raised and communicated to vendor however, thereafter no follow up is being made by the officials for replacement / recovery for the rejected item.

SYSTEM IMPROVEMENT SUGGESTIONS

- Payment terms like advance payment, 80% / 90% of PO value on supply is to be judiciously considered during placement of PO as on receipt of payment vendor does not show positive response for installation & commissioning of machine resulting in idling of machine causing loss to the company.
- In order to protect the company interest and funds, proper planning for installation / commissioning of the machine to be made by the divisional management. Systemic improvement measures brought out in the circulars issued by HAL on the issue needs to be strictly adhered.
- PDOs raised are to be reviewed periodically by the discrepancy pending status advice committee as per extant company policy in order to take prompt / timely action for its closure.



IRREGULARITIES IN AVAILING HOME LOAN BY SUBMITTING FABRICATED AND FORGED DOCUMENTS

OUTLINE / BRIEF OF THE CASE

One of the housing finance company alleged that four employees of various divisions across HAL had availed home loans with ulterior motives and did not deliberately paid EMIs for availed home loans. These employees had submitted fabricated bank statement, salary slips, employment certificate issued by concerned department, etc. Further, these employees in collusion with the builder and middlemen had cheated housing finance company by availing a home loan to be termed as 'Name Lending Case'.

DEVIATION / IRREGULARITIES NOTICED

The employees submitted fabricated / forged inflated pay-slip suiting to their eligibility criteria for loan requirement. Further, the employees forged bank statement and submitted to Housing Finance limited.

It is also observed that all the four employees were neither interested in purchasing home / apartment nor they were eligible for any kind of home loan based on the net salary. During the course of investigation, it is observed that all these four employees were fully aware that they are taking part in a fraud case for the sake of monetary gains promised to

them by their colleague. They wanted to overcome their petty financial difficulties by adopting dishonest means and played very important role in a bigger conspiracy wherein the lender M/s Housing Finance Limited was cheated and defrauded. In these cases, the intention of cheating was a clear motive from the very beginning.

All the four employees were very well aware that they were not eligible for any kind of loan due to their low net salary and they were also aware that loans against their names were possible by falsification of documents only. They indulged in this serious illegal activity for petty gains.

One of the employees who was a colleague of the above four employees was a habitual loan defaulter and a well-versed person who understood the nitty-gritty and loopholes in disbursements of home loans and documentary requirements of banks. He not only played a key role in a big conspiracy against the bank but also cheated / exploited the fellow employees by either winning their confidence in an ill motivated scheme or exploiting them out of their weaknesses and adverse financial situations. The employee has acted as a middleman for processing the loans of all the four employees of HAL. The employee is one of the accused in the complaints lodged with local police.

A police complaint has been lodged by the housing finance company and an FIR was registered in police station under IPC section 406 (Criminal Breach of Trust) and under section 420 (Cheating and dishonestly inducing delivery of property). The matter is under investigation by local police against the employee for home loan default cases.

LESSONS TO BE LEARNT

Officials involved in issuance of service / residential certificate etc., for availing home loan should exercise due diligence and enquire with the applicants before issuance of any kind of certificate for obtaining loan from financial institutions etc.

SYSTEM IMPROVEMENT SUGGESTIONS

- The documents submitted by the HAL employees were not verified by M/s Housing Finance Limited from the divisional officials before sanctioning

the loan which resulted in the fraud. Hence, a system for verification of the HAL issued documents may be provided in the certificates with a scan code so that the authorities can check the authenticity of the documents. While issuing the service / salary certificates a standard, line may be inserted by giving a specific e-mail id suggesting the receiver to contact for verification purpose in case of any doubt.

- The concerned department should intimate the vigilance department whenever they notice / come to know about employees / officers using such fake / forged salary certificate, service / residential certificate etc., for their personal gains.
- An undertaking from the employees to be obtained before issuing such service / salary certificate etc., notifying that strict action as per HAL rules will be taken in case of detection of any falsification of the issued documents at a later stage.





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