

The background is a watercolor-style illustration. It features a large, light purple handprint in the center, with several green leaves and stems to its right. The bottom half of the image is dominated by a dark blue watercolor wash, with some green foliage visible on the left side. The overall aesthetic is soft and artistic.

विश्लेषण

Vishleshan

A Compendium of Vigilance Interventions

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A Compendium of Vigilance Interventions



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FOREWORD

“विश्लेषण” is an excellent undertaking of Team Vigilance. It is perhaps the best preventive initiative by way of sensitizing HAL officials. “Prevention is better than cure” is a saying often taken for granted and overlooked. However, I am happy that Vigilance Department of HAL realized the significance of learning from the lapses noted by them while dealing with various vigilance interventions and summarized the same in the form of “विश्लेषण”.

The initiative is not aimed at pinpointing shortcomings. Rather, it is for a greater cause of recognition of mistakes with the intention of future avoidance. “विश्लेषण” is an attempt to do better than before and be better than before by learning from the mistakes and deviations committed in the past.

I urge all the readers to examine the issues highlighted in “विश्लेषण” with an open mind and encourage them to engage in critical analysis on what caused these issues and what will help us circumvent others of its kind in the future.

My compliments to Team Vigilance for the initiative taken.

Jai Hind.

R Madhavan

Chairman and Managing Director
Hindustan Aeronautics Limited





FOREWORD

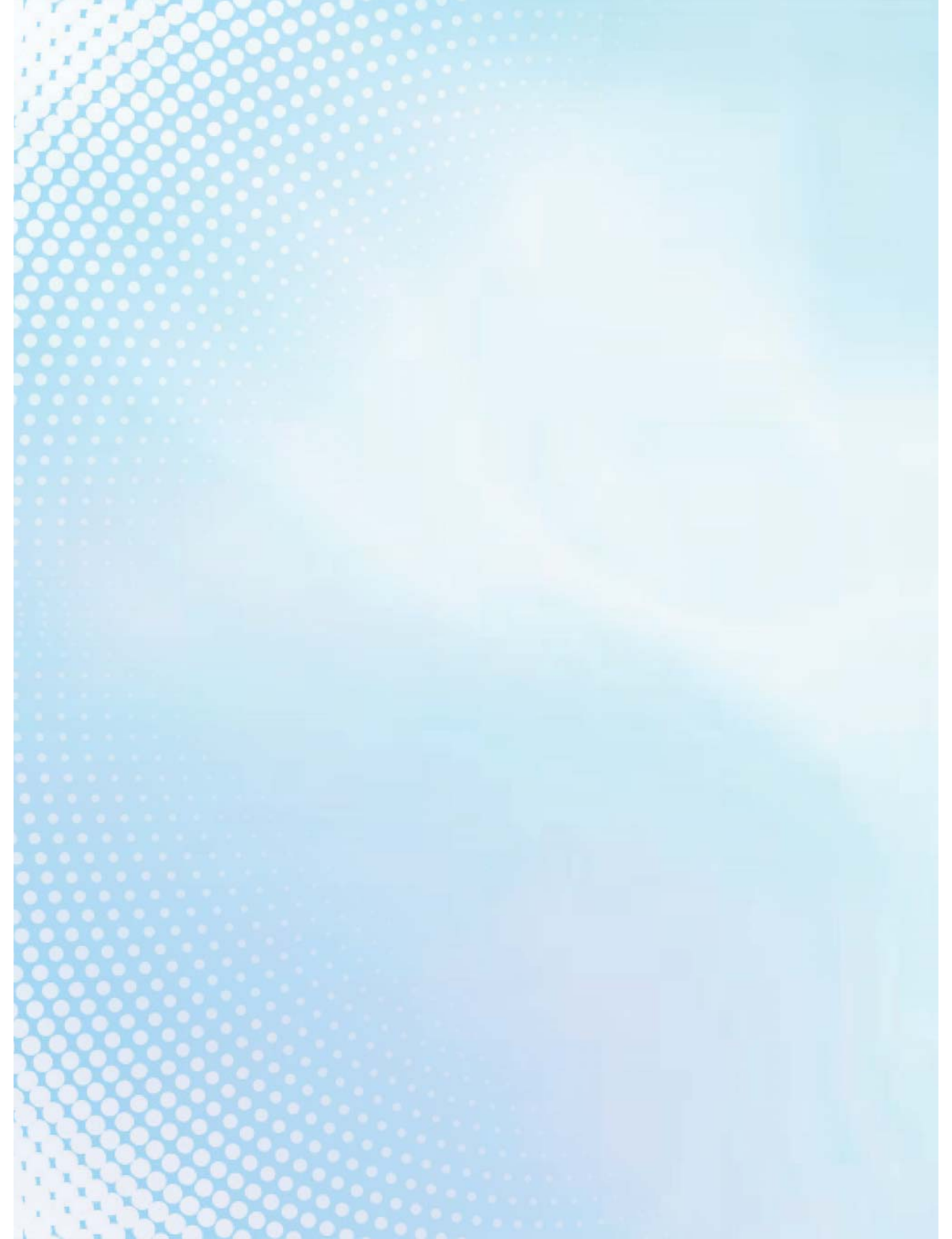
I would like to place my appreciation on record for the Vigilance Department for bringing out a compendium of select cases through “विश्लेषण” bearing a vigilance angle that occurred between 2015 and 2020.

As the name suggests “विश्लेषण”, is an honest effort to bring the shortcomings observed during the investigations to our consideration so that we could learn from the past mistakes, avoid their recurrence in future and enlighten our path on the road to success. The compendium includes a few acts of omission or commission that were committed knowingly or inadvertently either by mala fide intentions or with the intents that were devoid of careful thinking but ultimately resulted in loss to the company either financially or ethically.

It is, therefore, believed that the study of these cases would help the officials overcome the hurdles they may come across without hampering the process of decision-making. It would provide an insight to deal with the situation more carefully and aptly by adopting the principles of canons of financial propriety.

C B Ananthakrishnan

Director (Finance) & CFO
Hindustan Aeronautics Limited





FOREWORD

As the famous adage goes: “To err is human”. All of us in the course of discharge of our responsibilities may make mistakes because of ignorance, carelessness or disregard of procedure in order to speed up processes. Sometimes such mistakes / decisions may prove very costly as they may have a financial downside which on scrutiny by different agencies may be questioned.

We in the Vigilance Department felt that it is important to learn from mistakes and ensure we do not visit them over again. It was with this intention that “**विश्लेषण**” was thought of. A set of case studies to succinctly draw up the mistakes made in a process and highlight lessons to be learnt and system improvements to be made to avoid the same mistakes in future.

Team Vigilance has taken pains to compile this bunch of short caselets in easy readable form to help all employees of HAL understand the need to reach the target through informed and procedurally correct decisions.

I am sure that all of us will enjoy going through this edition and benefit from it.

Kalyani Sethuraman, IRAS
Chief Vigilance Officer
Hindustan Aeronautics Limited



WRONGFUL PAYMENT

OUTLINE/BRIEF OF THE CASE

One of the Divisions of HAL had placed a Purchase Order for supply of items on a foreign Vendor. The items were supplied by the vendor in two batches. Payment was made for the first batch as per the bank details provided by the vendor. On supply of second batch of items, the Purchase Dept. recommended for payment as per the bank details.

In the mean time, an e-mail from the vendor was received by the Purchase Dept. regarding change of its bank account, the same was forwarded to the Finance Dept. for making payment. Accordingly, payment to the same vendor of Rs 1.15 Crores was made to the new bank account.

A confirmation was sought by HAL for receipt of payment from the vendor. In reply the vendor informed that they had not received the payment with respect to the second dispatch of items. On further clarification from HAL, the vendor also intimated that they had never sent any email communication for change of bank account details to HAL.

DEVIATION/IRREGULARITIES NOTICED

The vendor who supplied the items had mentioned the bank details in their original invoice.

In spite of the above, the Purchase and the Finance Dept. considered an unsolicited e-mail received from Fraudsters in the name of the original vendor without crosschecking / verifying the authenticity. The payment was made to a fraudulent account instead of vendor account.

LESSONS TO BE LEARNT

Request for change of bank account details from the vendor needs to be thoroughly re-verified/re-confirmed from the vendor.

Dealing officials should follow due diligence while processing the e-mails received from the vendors. Any directions for change of Bank Account over e-mail should be confirmed before action is initiated.

In case of detection of such fraudulent activities, the Division should immediately lodge a complaint with Cyber Police.

The vendor should also be persuaded to initiate legal action in their country.

SYSTEM IMPROVEMENT SUGGESTIONS

The Bank details such as Account Number, Name of the Account Holder, Name & address of the Bank, IFSC Code / IBAN including SWIFT / SORT Code, as the case may be, be obtained from each vendor / contractor, duly certified by the Bank, and recorded in the IFS System by designated IMM / Sub contract / activity connected Department official (to be nominated with the approval of Divisional Head for activity connected Department Official).

- At the time of registration.
- Before placement of Purchase Order / Work Order, in case the offer of an unregistered vendor / contractor is accepted for placement of Purchase Order/Work Order.

The Bank Account details as obtained from the Vendors / contractors, in the manner stated above, should be brought out in the Purchase Order / Work Order.

In case the registered vendor / contractor requests for change of Bank Account, either after registration or after receipt of Purchase Order/Work Order, the same should be certified by the Banker / forwarded through SWIFT MT799 or MT199 from the Bank of International repute. Thereafter, the same may be incorporated in IFS and intimated to the Vendor / Contractor, with a copy to Finance after carrying out due diligence by Head of IMM / Subcontract / activity connected Department Official (to be nominated with the approval of Divisional Head for activity connected Department Official).

IMM / Subcontract / activity connected Departmental Official concerned may ensure the correctness of the Bank Account details in IFS System at all times.

The Finance Department may authorize / release the payment to the Bank Account of the vendor / contractor, as per the above stated system.



SUBMISSION OF FAKE LAB TEST/ANALYSIS REPORT BY A CONTRACTOR

OUTLINE / BRIEF OF THE CASE

One of the Divisions of HAL had entered into an Annual Maintenance Contract (AMC) with a Contractor for Operation and Maintenance of Effluent Treatment Plant (ETP) & Sewage Treatment Plant (STP). As per the agreement, the contractor had to collect effluent samples and submit “test analysis report” for pH, colour & odour, oil & grease, total suspended solids etc on quarterly basis.

A signed complaint was lodged by one of the Laboratories, alleging that the contractor with whom HAL had AMC of ETP & STP had submitted fake analysis reports on the letterheads of their company.

The contractor submitted the quarterly test report in the name of another Laboratory (Complainant). However, the complainant had stated that all the test reports were not issued by their laboratory.

On seeking a clarification by the Department concerned, the contractor replied that the samples for the test were given to an employee of the laboratory where it was tested without any covering letter. That person

provided test report to them & the same report were submitted to HAL. However, the person named by them denied any such act committed by him.

During the agreement period, the contractor had submitted 8 forged quarterly reports to HAL. This was verified from the documents maintained by the Lab in whose name test reports were submitted. The Lab was having an established system of entering any sample in their register, assign a code and send to their Laboratory. Once the testing is done, the quality manager decodes and sends the test report in the name of the concerned firm from where sample is received. It is revealed that no such entry was available for the 8 forged reports in the Lab.

An Amount of Rs 1,60,000/- was deducted from the contractor as penalty and an amount of Rs 59,094/- was also deducted on account of Penal Interest.

DEVIATION/IRREGULARITIES NOTICED

Fake / forged quarterly test lab reports of raw water/treated water/waste effluent were submitted by the vendor.

The lab in whose name the reports were generated confirmed that the letterhead / letter reference numbers and the signature on the reports were forged.

There was a clause in the agreement that “HAL reserves the right to test the samples by any recognized laboratory for revalidating the quarterly report submitted by the contractor”. However, this was never resorted to.

LESSON TO BE LEARNT

Contractual clauses safeguarding the interests of the Company should not be compromised.

The veracity of analysis reports submitted by the contractor should be

re-verified for its genuineness, on random basis.

SYSTEM IMPROVEMENT SUGGESTIONS

- The Engineer-In-Charge should test the sample on a random basis at least twice in a year in order to revalidate the quarterly reports submitted by the contractor and records must be maintained for the same.
- A register / record should be maintained for the recording of samples taken by any agency and should be signed by the Engineer-In-Charge and the Contractor.



SUBMISSION OF FABRICATED DIPLOMA CERTIFICATE FOR GAINING EMPLOYMENT

OUTLINE/BRIEF OF THE CASE

An employee having Diploma in Electrical & Electronics Engineering (DEEE) got the job fraudulently against recruitment notification of Diploma in Electronics & Communication Engineering (DECE) by submitting false / tampered DECE certificate.

The appointment was done either by hoodwinking or in connivance with authorities concerned in the recruitment processes.

During migration of data from manual to computerized system in Enterprise Resource Planning (ERP i.e. IFS) the employee deliberately restored his qualification of Diploma in Electrical & Electronics Engineering (EEE).

The employee was also granted incentive for acquiring B.Tech.in Electrical & Electronics Engineering (EEE).

DEVIATION/IRREGULARITIES NOTICED

Out of the two Photo copies of Diploma certificates found in the file, one had

the tampering or re-typing of DECE over DEEE. The State Board of Technical Education and Training, had confirmed that the employee did DEEE which is genuine. The diploma of DECE is not equivalent to DEEE and the verification of apprentice and proficiency certificates revealed that the claim of DECE by the candidate was false and not substantiated.

Bio-Data sheet made by HR Department for Time Scale Promotions indicated the Employee's Qualification as DECE till 2011. The employee applied twice for Management Trainee in HAL as internal candidate in EEE discipline but this went un-noticed.

Incentive was paid for acquiring B.Tech. EEE in 2012 by reflecting data in IFS as DEEE. The officer who processed the employee's incentive for acquiring B. Tech. EEE qualification did not take any responsibility for checking of earlier qualification (DECE) in personal record by saying that its Discipline/Stream was handled by another Officer and the incentive was given on approval of Competent Authority.

The original recruitment file was misplaced.

SYSTEM IMPROVEMENT SUGGESTIONS

LESSONS TO BE LEARNT

Officials involved in scrutiny need to exercise due diligence in figuring out apparent malpractices while recruitment.

The person was extended the benefit of erroneous qualification twice reveals that internal checks and balances were not robust enough to bring out such lapses.

- The record may be retained as per the retention Policy of the Company.
- Regular and random checks of IFS data for its authenticity and reliability.
- Effective job rotations of officers & workmen to bring man made / intended malpractices to the fore.
- Sensitizing the officers about the seriousness of data change and concealing facts.



IRREGULARITIES IN PLACEMENT OF PURCHASE ORDER

OUTLINE / BRIEF OF THE CASE

Material Purchase Request (MPR) was raised for Aircraft items for future requirement by one of the Divisions.

Purchase Order was placed on a single acceptable offer at a total cost of Rs 197.21 Lakhs.

Vendor failed to supply the item as per the Purchase Order terms even after a lapse of more than four years. In the meantime, the User Dept. managed the requirement by cannibalization without receipt of item.

As per the procedure in vogue, procurement of project items should be from Original Equipment Manufacturer and Stockists should be avoided as far as possible. In the instant case, although Original Equipment Manufacturer was existing, MPR was raised on Limited Tender basis.

Since the vendor could not supply the item, the Division placed Purchase Order on Original Equipment Manufacturer for the same item without cancelling the existing Purchase Order.

The vendor, on whom initial Purchase Order was placed, approached the Division expressing willingness to supply the item, after a lapse of 2 years. However, the Divisional Officials procured the items from Original Equipment Manufacturer.

The Divisional authorities gave no response to the correspondences made by the existing vendor. After a long gap, the vendor was informed through e-mail not to pursue the order as the requirement has been met through alternate arrangement.

Subsequently, the vendor supplied the ordered quantity directly on sight draft basis and started following up for payment.

IMM Department initiated proposal for regularization of item supplied by the Vendor. However, the proposal was not agreed upon by Finance Department. Further, Legal Section was also opined for termination of Purchase Order.

Later on, a proposal was initiated for termination of Purchase Order which was concurred by the CFA and the Vendor was informed accordingly. However,

the Vendor communicated about his non-acceptance for cancellation of the Purchase Order.

The item supplied by the Vendor is still lying in the Division against which no payment has been made.

DEVIATION / IRREGULARITIES NOTICED

The Purchase Order which was placed on the vendor was cancelled by the Division without making payment for the item supplied.

Material Purchase Request was raised without considering previous consumption pattern.

Non adherence of Delegation of Powers (DOP) as the Purchase Order was approved by a lower CFA without pre-audit by System Audit.

Vendor did not supply the items as per delivery schedule mentioned in the Purchase Order and kept on extending the delivery schedule.

Cancellation of the Purchase Order was not initiated as per Purchase Order Terms & Conditions.

The Division did not reply to the correspondences made by the Vendor.

MPR for the same item was approved and the Purchase Order was also placed on

the OEM without cancelling the previous Purchase Order.

LESSONS TO BE LEARNT:

As far as possible, Original Equipment Manufacturer should be approached for placing the order on Project items.

Where ever there is a deviation, the reasons should be recorded clearly.

Previous consumption pattern along with stock and dues-in should be considered while working out the required quantity in Material Purchase Request.

The delay in supply should be properly addressed by the concerned stake holders as per the terms and conditions of Purchase Order.

SYSTEM IMPROVEMENT SUGGESTIONS

- Communications / Correspondence from Vendors should be addressed in time.
- Minutes of review meetings should be recorded so that directions given in the meeting could be referred to at a later date.
- Any right to change the status of Purchase Order in IFS should be exercised with the approval of head of IMM dept. with two-layer authorization.

- Concerned Officials should refrain themselves from disclosing any internal information pertaining to any file to Vendors.
- Purchase proposal needs to be automated and routing of the proposal along with other contents should come automatically by linking the value of proposal and type of proposal (i.e. single, limited or proprietary offer etc) with current Delegation of Powers (DOP) to eliminate any manual intervention so that any wrong routing or other mistakes can be avoided.
- Automated platform may be developed with the help of IT Department in which the mail IDs of all the purchase officials may be linked and there should be facility to query by keying in any Purchase Order Number so that all the correspondences made from either side could be viewed. This system would help to prevent hiding of any correspondence. Also, any senior officer would be able to review all the correspondences made against any Purchase Order without seeking the manual files.
- Senior officials in IMM Department who are in-charge of two or more purchase groups should make a periodic review for outstanding POs against which supplies are long pending as well as old open MP Rs. On receipt of any communication from vendor, feedback should be asked from the concerned purchase official and should also be recorded in the file.



BANK FRAUD CASE

OUTLINE/ BRIEF OF THE CASE

One of the employees of the company stopped payment of EMIs after availing Housing Loan to the tune of Rs 21.47 Lakhs.

Prima facie, it was observed that the employee had obtained Housing Loan from a Bank. Initially 9 EMIs were paid to the Bank against the loan sanctioned amount and subsequently EMI payment was stopped. The account was later culminated into Non-Performing Asset (NPA).

It came to light that employee had already obtained Housing Loan against the same property three years ago from another Housing Finance Company.

In order to draw remaining amount, employee had made a written communication to the Housing Finance Company to release the balance amount of his housing loan as his flat was ready for occupation whereas he stopped the EMIs of the bank on the pretext of incomplete work.

DEVIATIONS / IRREGULARITIES NOTICED

The employee had submitted fabricated / forged Government documents like PAN Card and Voter ID Card.

Further, he also fabricated / forged HAL issued documents like Form-16, Identity Card, Salary Slips and Employer Certificate with an intention to defraud the Bank.

The employee stopped paying EMIs to the Bank claiming that the flat is not ready and simultaneously asked the Housing Finance Company to release the payment stating that the flat is ready for the occupation.

LESSONS TO BE LEARNT

Habitual loan defaulters bring disrepute to organization by adopting the above modus operandi.

Cognizance of such complaints against employees should be promptly acted upon when they indulge in such malpractices.

SYSTEM IMPROVEMENT SUGGESTIONS

Banks should carry out due diligence and cross check the documents with issuing organizations before sanctioning the loan instead of accepting it on face value.



DELAY IN INSTALLATION AND COMMISSIONING OF MACHINE PROCURED FROM A FOREIGN VENDOR

OUTLINE / BRIEF OF THE CASE

As part of upgradation of the multifarious manufacturing activities of one of the Divisions, it was proposed to procure a high precision milling machine.

A Capital Purchase Request (CPR) was raised during the year 2012 to procure the Machine. Though, the requirement was raised in 2012, till Sept 2020 the Machine was not fully commissioned. (Estimated life of the machine being 10 years as per CPR).

Tendering process for procurement of the machine itself took substantial time, owing to repeated changes in specifications. Re-tendering was resorted thrice.

A Purchase Order was placed on a foreign vendor during 2014 at a cost of Rs 1802 Lakhs. Following this, the Machine was made available in the Division by the Vendor in the beginning of the year 2016.

As per the terms & conditions of the PO, the Machine should have been installed and commissioned within 11 weeks of intimation of site readiness from the

Division. However, site readiness was not confirmed from the Division within the due dates.

A Contract was awarded to a local vendor for necessary structural modification / reconstruction of existing hangar where the new machine was required to be accommodated.

The site was not handed over on 'free hold basis', pending the removal of electric panel board, electrical cables lying, existing room filled with painting and other salvage materials, etc.

Thereafter, Contractor sought extensions which were granted continuously on three occasions, without levy of any penalty.

The completion date for the above work was end of January 2016. However, the work was completed only during the end of Jan 2018 after several extensions.

Subsequently, the machine was installed in Sept 2020.

DEVIATIONS / IRREGULARITIES NOTICED

The machine was made available at Division in the month of March 2016

and the vendor had requested for the intimation of the site readiness in June, 2016.

The intimation with regard to the readiness of the site was communicated by the HAL to the vendor in Sep, 2017 followed by another reminder in Nov, 2017.

The estimated cost of the civil work i.e. structural modification/ reconstruction and renovation of existing Hangar was Rs 737 Lakhs. The value of the work order was 19.05% above the HAL estimate.

The Contract agreement was extended on three occasions during 2016, 2017 and 2018 quoting the special clauses of the Contract. The extensions were attributed to the operational constraints surfaced in reconstruction / renovation work. Finally, the work was completed by the end of Jan, 2018.

Since the machine was not installed for a long time after supply, the warranty of the machine got expired.

Later on, the vendor representative had raised many shortcomings in the readied-site where it was to be installed. There were three meetings conducted between Division and the vendor in order to reach consensus for progressing the commissioning / prove out activity. Out of these three meetings, two were held at vendor country along with Indian

Embassy representative, to expedite the installation and commissioning.

The stake holders involved in the procurement process, had acted without proper planning/factual assessment of the entire project. The two issues i.e. site readiness and machine procurement were not properly synchronized leading to the entire mis-match of the events like receipt of machine (under terms and conditions) and non-readiness of the site for installation / commissioning.

The Official who had visited the vendor's premises for PDI (Pre Dispatch Inspection) had failed to gauge the progress of the despatch of the machine and the readiness of the site on ground for installation/commissioning. Many hitches and glitches surfaced during prove out, could have been anticipated and better handled if the officer who carried out PDI at vendor premises were prudent in apprising the concerned on ground at Division.

There were no proper coordination between multiple Departments.

LESSONS TO BE LEARNT

The concerned Depts. should co-ordinate and envisage the plan for installation and commissioning of the machine at the time of procurement stage itself.

Procurement involving civil work for installation of machine / equipment

may be taken up under turn-key project so that manufacturing, installation, commissioning and necessary civil work for the said machine may be carried out by a single source. Any Procurement of Machinery & Equipment which involves Civil Works for Installation & Commissioning to be carried out by the same Party to avoid delays.

Time period required for completion of civil work if any for installation / commissioning of the machine / equipment may be taken into consideration while placing the Purchase Orders and accordingly the supply should be scheduled. The time period required for Civil Works on the site identified may be considered while placing the Purchase Order and accordingly, the supply of the Machinery & Equipment may be scheduled.

Location for Installation & Commissioning of the Machinery & Equipment may be identified before approval of CPR and kept ready before issuance of Purchase Order or Work Order for Civil Work.

All Communications with the Vendor till Installation & Commissioning of the

Machinery & Equipment should be in writing only.

In case of any dispute arising in the course of Installation & Commissioning of the Machinery, HAL Officials should take proactive action, discuss with the Vendor and immediately resolve the issues. The discussions so held should be minuted and recorded. If the case is not settled, the matter may be taken up with the next higher Authority without any delay.

SYSTEM IMPROVEMENT SUGGESTIONS

- The time schedule for various activities, binding upon both the parties, may be framed by taking into consideration the real time involved for the activities. The concerned officials should ensure that the timelines are followed without fail.
- The Terms & Conditions of the Purchase Order should clearly mention the activities & time required to be carried out by the Vendors & HAL.



FRAUDULENT CLAIM OF NON-AVAILABLE MEDICINE REIMBURSEMENTS AND LODGING CLAIMS BY SUBMITTING FAKE & FABRICATED BILLS

OUTLINE/BRIEF OF THE CASE

The case was detected through credible information from reliable sources about claiming NIS / NIP (Not in Stock / Not in Purchase) reimbursements by submitting fake Pharmacy Invoices, submitting the same Pharmacy Invoices / NIP slips twice and inflating the quantity & cost of medicines in the Pharmacy Invoices etc. An amount of Rs 2,64,911/- was claimed from the company by one of the employees in this way.

The source also revealed that the employee had submitted fake and fabricated Hotels bills to claim the lodging expenses during outstation duty and thus claimed Rs 21,698/-.

On scrutiny of medical claims, it was observed that prescriptions from the HAL Doctors for the NIS/NIP medicines were obtained every fortnight and subsequently claimed the medical reimbursement by enclosing Pharmacy Bills. Most of the claims were enclosed with bills issued by a particular pharmacy.

Analysis of the data revealed that 86% of NIS / NIP prescriptions were given by two particular doctors. These doctors clarified that all the said NIS / NIP prescriptions were given due to pressure from the employee without the actual requirement/ailment.

The proprietor of the pharmacy confirmed that the employee used to demand only bills against the NIS / NIP slips issued in the name of self and his family members and never purchased any medicines from his shop.

On two occasions, the employee had obtained duplicate NIS slip & pharmacy bill by stating that he had lost the same.

He had also claimed reimbursement of Rs 50,000/- towards the cost incurred on purchase of oxygen concentrator for his dependent. However, the proprietor of Pharmacy confirmed that the employee did not purchase the said apparatus from him and instead taken only the bill amounting to Rs 5,000/-.

DEVIATION/IRREGULARITIES NOTICED

The employee had pressurized doctors to obtain prescriptions for NIS / NIP medicines.

He managed to obtain Invoices from the pharmacy without purchasing the medicines.

Duplicate NIS slips & pharmacy bills were obtained stating that he had lost the same.

Submitted bills for reimbursement towards the cost incurred for purchase of oxygen concentrator for his dependent without purchasing the same.

The hotel authorities confirmed that the hotel bills submitted by the employee against his lodging claims were fake and fabricated.

The employee had submitted fake and fabricated lodging bills.

LESSONS TO BE LEARNT

HAL doctors should not buckle under the pressure from employees even from those who are holding office of Credit

/ Housing Society, Recognized Union / Guild, Welfare Association etc. for providing NIS/NIP prescriptions without the actual requirement.

SYSTEM IMPROVEMENT SUGGESTIONS

- Introduction of external pharmacy inside the premises of HAL Hospital for NIS/NIP medicines.
- Cost cutting is achieved on introduction of external pharmacy through rate contract. NIS / NIP medicines are available at lesser cost than market rates.
- HAL Doctors should follow HAL Hospital pharmacopoeia while writing the prescriptions. Clear cut guidelines should be followed for writing prescription for NIS / NIP medicines.
- Prescription audits (NIS / NIP) in HAL Hospital to be conducted on regular basis for assessment of the rationality of NIS / NIP prescriptions.
- Frequently prescribed NIP medicines should be included in HAL Hospital medicine procurement list.



MISAPPROPRIATION OF COMPANY FUND

OUTLINE / BRIEF OF THE CASE

The case was detected based on the information about Company money fraudulently being credited to the individual employee's Bank Account who is working in Payroll Section of Finance Department of one of the Divisions.

Medical claims which were being submitted by the employees for reimbursement has been misused by the Case worker and while advising payment to the Bank he fraudulently replaced the beneficiary Account numbers with that of his/sister's Account number. There were 19 fraudulent transactions wherein the said Case worker had transferred the Company money to his or his sister's account.

The Division was following the procedure of making payments through Daily Payment Advises in addition to the monthly payments to the employees in respect of payments for reimbursement of medical claims, TA/DA advances, advance payments etc. One of the criteria for making payments through Daily Payment was the urgent requirement of the employees.

The medical reimbursement claims submitted by the employees were checked and processed by the case

worker and put up to Payroll Officer for further checking and approval. On approval, these claims were forwarded to the Case worker for processing the payment. In case the payment was to be made through Daily Payment then the Case worker would enter the employee-wise claims in IFS-Financial module through mixed payment. The summary of Daily Payment Advise containing all the claims of the employees to whom the payment was to be made was prepared in excel format by the Case worker after downloading the data from IFS. The print of the summary / statement would be taken by the Case worker and put up to the Payroll Officer along with the supporting documents for checking and approval of Daily Payment Advice.

After approval, the cheque for total amount of the daily payment is prepared on the Bank's name and along with the covering letter it is forwarded to the Bank. In addition, a soft copy of the Payment Advice in excel format is forwarded to Bank through official email ID allotted to Officer-in-Charge, Payroll as per the requirement of the Bank.

While forwarding the soft copy of the statement containing Payment Advices to Bank through email, the Case worker was replacing the beneficiary Account Number with that of his / his sister's

account. However, the approved hard copy remained unchanged. Since, the Bank was making the payment on the basis of soft copy and not on the basis of hard copy being forwarded by the Division, the payment was made to the replaced Account Numbers, which belongs to Case worker/ his sister. There were 19 cases of fraudulent transfer amounting to Rs 92,750/- by replacing the real beneficiary Account numbers.

In order to adjust the fraudulent payments credited in his or his sister's Account, the Case worker used to manipulate the data available in the IFS records. He used different methodology for each case for doing the adjustments so that respective employees making the claim could be paid along with fraudulent payment to his / sister account.

DEVIATION / IRREGULARITIES NOTICED

The modus operandi adopted for doing the misappropriation was: -

- In 11 cases the payment of medical reimbursement was made to the employees through salary and simultaneously paid through Daily Payment and deduction code was made negative for one payment in the IFS.
- In 02 cases payment was made through both salary and Daily

Payment but the deduction code was deleted in the IFS to nullify the recovery.

- In 01 case payment was made through both salary and Daily Payment but recovered twice hence, recovered the amount from the employees Payment.
- In 03 cases Daily Payment was made to the employee and recovered through deduction but subsequently couldn't do negative adjustment. Hence, recovered the amount from the employee in next month salary.
- In 02 cases the payment was made for medical reimbursement but not credited to the employees' Account rather credited to the case worker account.

The officials of the Finance dept shared official email IDs with the case worker for the purpose of forwarding / uploading soft copy of the Daily Payment Statement to the bank for Payment.

The case worker was modifying the data which is already saved in the IFS ID in respect of the medical claims of the employees used for fraudulent transfer of amount so that the payment is credited to the employees in the salary and nullify or modify the data used for fraudulent transfer. The case worker used his and other's IFS ID and password for making adjustment in IFS.

LESSONS TO BE LEARNT

A provision is available in the IFS for deleting the finance data under the respective code in order to nullify the effect of the fraudulent payment. Once the record is deleted such Payment cannot be traced out or detected. This came to the light after tallying the Bank transaction and Payments made to the employee from HAL and such mechanism/practice cannot be practically possible/ followed in all the cases/normal circumstance until & unless IFS system is taking care of the issue. Hence, the Officer authorizing the payments and forwarding it to the Bank must be careful/ cautious.

The officers should not share user ID & password of official IDs with their subordinates.

HAL / Bank officials should cross check the soft copy of the daily payment advice with the hard copy being forwarded to Bank before forwarding / making payments.

HAL Officials should do reconciliation of Bank Statements on a daily basis.

SYSTEM IMPROVEMENT SUGGESTIONS

- The Bank details of the employee may be entered and updated in IFS by following two layers control i.e. maker and approver. The details may be entered or

updated only after submission of proper documents and approving rights should be with the Officers only.

- The payment in respect of the employees may be forwarded to Bank as per the data available in IFS only. No request for change of account number other than which is saved in the IFS records should be permitted for payments.
- Make provision in IFS to generate encrypted file along with key which will be forwarded to Bank for making payment without any human intervention / modification / correction.
- Manual uploading of data into IFS for making payment through salary or adjustment of Payment for the month may be reviewed and option for auto-updation of data fed in IFS may be explored.
- Presently the modification and deletion of the data in IFS payroll module is possible The same may be studied by CO, IT and provisions may be made for blocking of all such provisions for deletion & modification.
- All payments may be paid through monthly payment.
- In order to avoid the practice of medical reimbursement, it is suggested that contract may be awarded to supply the Not-in-stock medicines by the successful bidder.

IRREGULARITIES IN EXTERNAL PAINTING CONTRACT FOR QUARTERS

OUTLINE/ BRIEF OF THE CASE

Company allots quarters to its eligible employees and Maintenance Department maintains the quarters in terms of civil and electrical works. Accordingly, contract was awarded for external painting of the quarters.

Source Information was received regarding substandard execution of external painting works and compromising the quantity of materials used.

Investigation brought out lack of supervision by the concerned Officer-In-Charge / Engineer-In-Charge / Supervisor-In-Charge of this work which was evident from substandard quality of work executed.

DEVIATION / IRREGULARITIES NOTICED

The following irregularities have been observed during execution of external painting works.

During site inspection it was noticed that preparation work was not done on wall surface and no alkali resistant primer was applied to the external wall.

Preparation of surface and washing down the surface with water before painting was not carried out. Only direct painting work was carried out on the surface.

Direct painting was done on the compound wall without preparation work on surface.

Direct painting was done on steel surface of rolling shutter and wooden surface without any preparation work like wire brushing/using sand paper to loosen the paint, cleaning with mineral solvents, smoothening of surface, using metal paste for steel surface and putty work for wooden surface.

False claim was submitted for the painting works.

The educational qualification of the Supervisor deployed for the said work was not available in the records.

The PF & ESI challans of the site in-charge/ engineer were not found in the record. Attendance of the in-charge was also not maintained.

The contractor had submitted a total of 66 nos. of bogus invoice to the tune of Rs 13.65 lakhs.

As per the pre qualification criteria, it was required for the bidder to submit a work done certificate. The contractor had submitted an experience certificate issued by local govt body in the name of other company.

The experience certificate submitted by the contractor was verified from the concerned local authority which turned out to be fake.

LESSONS TO BE LEARNT

The OIC, EIC, SIC must ensure effective supervision of the works done by the contractor at different stages.

The materials used and standard of work must be checked as per the scope of the work.

SYSTEM IMPROVEMENT SUGGESTIONS

- Para 8.1 of HAL Works Manual is required to be amended to bring in more clarity on the roles and responsibilities of the screening committee in line with e-procurement activities.
- Estimation of the paint work to be done as per the market rate to avoid huge disparity in the estimate and quote.
- The L1 vendor/agency should submit the prequalification documents in original before the award of the work.

- All the documents regarding prequalification criteria needs to be self attested by the vendor / agency.
- A comprehensive Maintenance Manual to be published.
- To examine the option of rate contract with OEMs to ensure genuine quality of material and work.
- As per para 18.5.1 of Works Manual, all works consisting of more than one process may be subject to examination and approval at each stage by the EIC and approval of works may be recorded in work / stage passing register. All the paint works to be executed as per the above clause of Works Manual.
- Single stroke execution of work followed by first & final bill payment in paint works required to be restricted.
- The Note (1) under para 1 of the e-tender notices contradicts the Note (2) under para 7.4.3.1 of HAL Works Manual where in it is clearly stated that the experience certificate from reputed organization should be supported with TDS certificate by the contractor to avoid fraudulent cases.



REJECTION OF ALUMINUM RAW MATERIALS

OUTLINE / BRIEF OF THE CASE

The case pertains to rejected Aircraft grade Aluminium Raw Material worth Rs 2.5 Crores which was lying unattended for 10 years.

Investigation has revealed that, an order was placed for procurement of Aircraft grade aluminium Raw materials on a foreign supplier for a total value of Rs. 4.00 Crores (approx.) during the year 2007.

The material was supplied during the year 2008 against Letter of Credit (LC) and a payment of Rs 3.83 Crores (approx.) was released to the vendor after deduction of Ligated Damage (LD) amount for delayed supply.

During inspection it was found that materials worth Approx Rs 2.5 Crores were not fit for Aircraft use as the materials failed the tests by in-house central laboratory as well as 3rd party private Labs. The matter was taken up with the vendor for replacement of the materials. The vendor agreed to refund total amount towards rejected materials and suggested to adjust the amount from pending bills.

Rs 25 Lakhs (approx.) was recovered from the supplier. Further recoveries

were not affected due to transfer of Officers concerned.

The vendor neither replaced the materials nor refunded the amount already paid through letter of credit.

A task force was constituted to recover the balance amount from the vendor.

The remaining amount was adjusted from the Purchase orders placed on the same vendor in sister divisions of HAL and affected the recovery of Rs 2 Crores. Rs 50 lakhs were adjusted against the scrap value of the rejected Raw Materials.

DEVIATION / IRREGULARITIES NOTICED

Rejected raw materials were lying unattended for many years and the Officials concerned did not pay attention for disposal of the same.

The payment was made to the vendor through Letter of Credit. After rejection of the supplied item, follow-up action was not initiated to recover the entire amount from the vendor.

LESSONS TO BE LEARNT

Delayed supplies are to be viewed with the needle of suspicion as raw material

suppliers / stockists tend to pool in supplies from their counterparts on receiving firm order.

The suppliers whose materials are rejected need to be profiled, so that due diligence is done before releasing payments for supplies in pipeline.

SYSTEM IMPROVEMENT SUGGESTIONS

- The track record in rejections needs to be kept in mind during selection of

vendor / sources for raw materials especially from stockists.

- Payment on receipt and acceptance to be explored in place of Letter of Credit.
- Proper handing over / taking over system to be implemented to bring in accountability of Officials concerned.



FRAUDULENT CLAIM OF OUTSIDE PAYROLL ATTENDANCE BY AN EMPLOYEE

OUTLINE / BRIEF OF THE CASE

Fraudulent claim of Outside Payroll Attendance (OSP) was made by way of forging the signatures and fabricating the OSP attendance reports by an employee in one of the Divisions.

On analyzing the 22 Nos of OSP Reports submitted by the workman concerned to the Payrolls Dept, it was observed that on 43 days the individual had availed full day OSP.

It was verified from the Technical Training Institute (TTI) authorities that the workman concerned had attended the training sessions on 30-04-2015 & 01-08-2016 as claimed by him. Also, it was verified from the In-charge Officer of stores and other IMM Officers that workman had been deputed on official duty to Air show held on 21-02-2015.

It was confirmed by HOD and other officials of IMM Dept that the workman concerned was deputed on official duty to Hyderabad from 08-11-2016 to 10-11-2016.

For remaining 37 days the workman had claimed full day OSP stating that he had

visited “City” on “Official duty”. There were no IN & OUT punches recorded for the mentioned days.

On scrutiny of the above said OSP reports, it was noticed that, OSP reports dtd 20-08-2016 & 19-04-2017 were tampered. Timings for claiming OSP was overwritten on the part of document, which was already scored out with the lines.

DEVIATIONS / IRREGULARITIES NOTICED:

OSP forms were misused by the employee by forging the Signature / Seal of Head of Dept.

The employee has not recorded in/out punches during his movement outside the factory.

Claimed attendance for unauthorized absence.

LESSONS TO BE LEARNT:

There may be effective supervision and monitoring system of attendance of sub-ordinates by the HOD / Reporting Officers.

SYSTEM IMPROVEMENT SUGGESTIONS

- Regularization of attendance by OSP may be computerized and the approval of the departmental

officers to be made through online.

- Periodical job rotation of employees working in sensitive areas needs to be ensured.



DEMAND OF CASH FOR JOB IN HAL

OUTLINE / BRIEF OF THE CASE

On the pretext of ensuring a job in HAL, an employee demanded and accepted cash from a candidate who had appeared for selection to HAL. The candidate neither got the job nor the money was returned to him.

It was alleged that the employee had taken Rs 4 lakhs from the complainant assuring job in HAL while he was undergoing in plant training in one of the divisions. During that time, he came in contact with the employee working in the same Section / Division and as per his advice he applied for a job in HAL.

The complainant initially handed over an amount of Rs 3 lakhs through cash and transferred Rs 1 lakh through Bank transaction from his account to the account of the employee.

The complainant cleared written exam and appeared in the interview but did not get selected. Subsequently, the complainant approached the employee and requested to return the money. The employee returned Rs 30,000 in cash to the complainant. Even after repeated requests, the employee neither responded nor returned the remaining amount.

DEVIATIONS / IRREGULARITIES NOTICED

The employee had illegally collected money from the complainant assuring job in HAL and this was confirmed from the bank statement of the employee.

The employee had given a blank cheque to the complainant as a surety for the money illegally collected from him.

The employee remained in constant touch with the complainant after release of advertisement by HAL. He took the names of some of HAL Officials to convince the complainant that he could influence the recruitment process and get him selected.

In the meantime, the employee introduced the complainant to another person who was also working in HAL whom he told had a contact with Selection Committee Members and personnel at Corporate Office and could arrange the job. However, he stated that Rs 4 lakhs had to be given to the Committee members for the same.

The employee informed the complainant that he had handed over the money to the other employee after he had cleared the practical test.

After Interview, the complainant was not selected and the employee gave a false impression to him that a second list would be published and his name would appear in that list and kept him waiting in the hope of a second list.

When the complainant lost hope of a second list, he requested the employee to return the money. However, the employee avoided the complainant and gave evasive replies.

LESSONS TO BE LEARNT

Stringent disciplinary action against the erring employee is necessary to send a cautionary message to other employees to avoid such incidents.

Based on the action taken against the accused workman, the Division could curb such corrupt practices of certain category of workmen who are now aware of the seriousness of Certified Standing Orders of the Company.

SYSTEM IMPROVEMENT SUGGESTIONS

Bringing awareness among the employees about not to indulge in such practices and a message to be disseminated that strict action as per the Company rules would be taken against such erring employees.



COLLECTION OF MONEY IN THE PRETEXT OF LEASE OF HAL LAND

OUTLINE/ BRIEF OF THE CASE

During Sept 2017, a gentleman from a reputed Aviation Academy approached one of the Divisional Heads and shared some correspondences (in Company's letter head) purported to be made to them by an officer of the Company.

The letters stated leasing of 6 Acres of Company's estate land to the said Institute for which Rs 9.36 Lakhs was already paid towards the deal and showed a copy of draft lease deed to be finalized shortly.

Since no such proposal was approved, Divisional Head called the alleged officer who said the letters were not issued by him and were forged. Since no correspondence was made from the Division or the alleged officer, this was considered as a case of forgery and fraud.

It was also informed that there's a middle-man involved in this deal and his identity was not disclosed. Since it appeared to be a full-fledged fraud racket in operation, a police complaint was filed with the Asst Commissioner, local Police Station by the alleged officer about forgery by unknown person.

In-house verification was carried out which revealed that neither any lease agreement had been executed nor was any sort of financial loss / land grab in the subject case. The representative of Academy also did not co-operate with the vigilance verification in order to protect the middle man. Hence initially the complaint was closed.

Later in Aug 2018, the Chairman of the Academy again lodged a complaint with Vigilance alleging collection of money for providing HAL land on lease to their Academy. It was alleged that HAL Officer had collected Rs 55 Lakhs through a middle man out of which Rs 10 lakhs were returned fearing legal proceedings.

DEVIATION / IRREGULARITIES NOTICED

The alleged Officer had issued 03 letters on HAL letter Head regarding lease of 6 acres of HAL land.

The same was sent to Laboratory for signature verification. The alleged officer's original personal file was obtained and a few samples original signatures were also sent to the Lab along with the frequently signed letters to ascertain the authenticity of the purportedly forged letters.

Further it was proved that signature on the 3 letters fraudulently issued by the officer were indeed genuine and were not forged as claimed by him.

LESSONS TO BE LEARNT

A surveillance on Officers who are dealing with land matters must be kept.

SYSTEM IMPROVEMENT SUGGESTIONS

The Officers holding very sensitive posts should be Job-rotated in stipulated period.



DOUBLE PAYMENT MADE TO FOREIGN VENDOR AGAINST PURCHASE ORDERS

OUTLINE/BRIEF OF THE CASE

An information was received that one of the HAL Divisions had made double payment of Rs 1.5 Crores (approx) to one foreign Vendor against the same purchase order. It was alleged that additional payment was made in collusion with the concerned officials for extending undue advantage to the vendor.

The Division recommended for payment of Rs 1.5 Crores through LC (Letter of Credit), as per the PO terms. Concerned officials on receipt of Invoice from the Bank recommended for payment with deductions of applicable LD (Liquidated Damage) amount. Payment of approx Rs 1.25 Crores with LD deductions of Rs 25 Lakhs to the vendor was made through Bank.

The concerned officer of the Bank went on leave and the next officer made LC payment of Rs 1.5 Crores (approx.) to the vendor again without deduction of any LD amount.

DEVIATION/IRREGULARITIES NOTICED

HAL officials recommended for payment only once. However, due to inadvertent

error from Bank officials, double payment of Rs 1.5 Crores (approx.) was made to the vendor.

Making second time payment to the vendor account was a slip-up done by bank officials only.

LESSONS TO BE LEARNT

Concerned officials need to be alert and check the Bank Reconciliation Statements (BRS) on regular basis so that such lapses committed by Bank officials can be detected in time and any such additional payments made to any vendor/ service provider can be recovered at the earliest.

SYSTEM IMPROVEMENT SUGGESTIONS

System Audit has issued circulars to put an effective system in place to avoid such incidences in future. Introduction of Central Payment Processing Centre (CPPC) for vendor payment is one such initiative where the chances of such recurrences are minimized.

SUBMISSION OF FORGED HOTEL BILLS BY EMPLOYEES FOR REIMBURSEMENT OF TA/DA CLAIMS

OUTLINE/BRIEF OF THE CASE

Scrutiny of claims submitted by the employees for TA/DA reimbursement for outstation duty was carried out by one of the Divisions for a period of one year.

There were 382 Hotel bills along with the TA/DA claim amounting to Rs 71,44,788/- pertaining to 27 Hotels across the Country. In order to verify the genuineness of the Hotel bills, request for verification was sent to the Hotels concerned.

09 Hotels confirmed that the bills had not been issued by them and all these bills were fake and forged.

05 Hotels confirmed that the bills issued by them were genuine.

03 Hotels had not co-operated and not given any confirmation with regard to genuineness of the Hotel bills issued by them.

Finally, it was found that 132 employees submitted forged Hotel Bills amounting to Rs 55 lakhs (approx) during the period of one year.

Total amount of Rs 87 lakhs approx (inclusive of Penal Interest and Conveyance charges) had been recovered from the employees against forged Bills.

DEVIATION/IRREGULARITIES NOTICED

132 employees had submitted forged Hotel Bills amounting to Rs 55 lakhs (approx.) along with their respective TA / DA claims during the period of one year.

LESSONS TO BE LEARNT

It is learnt that any kind of dishonesty with the organization is likely to be detected sooner or later. Hence every employee of the organization is required to maintain highest level of integrity in their personal as well as public life and avoid such unethical practices to live with dignity in the organization/society.

SYSTEM IMPROVEMENT SUGGESTIONS

- Based on similar cases in various Divisions of HAL, corporate office has revised the travelling allowance Rules (Inland).
- As per the revised circular, “when actual lodging/boarding expenses are not claimed from the Company but borne by the Employees themselves, composite/all inclusive DA will be payable without production of Bills”.

FRAUDULENT LTC CLAIM

OUTLINE/BRIEF OF THE CASE

Employees on the regular rolls of the Company were eligible for concessions under Leave Travel Concession / Leave Travel Assistance Rules before Cafeteria System of Perquisites & Allowances, were introduced.

The employees had submitted e-tickets for claiming reimbursement on the expenses incurred against journey performed to Home Town and All India Travel under Leave Travel Concession.

During scrutiny of the claims submitted by the employees for Leave Travel Concession, it was noticed that the tickets produced for IInd Class AC had a provision of middle berth whereas no middle berth is available in IInd Class AC coaches as per coach layout of Indian Railways. This raised suspicion that the tickets produced by the employees were fabricated.

During Investigation, the tickets submitted by the employees were referred to the CVO IRCTC for its authenticity. Reply received from ITAF (IT Anti-Fraud) team indicated that all the tickets sent for verification were fake and PNR numbers of the tickets did not exist in their data base.

In a few cases, the PNR number existed, but the particulars of the tickets were not matching with the date of journey and family particulars of the employee who had submitted the claim.

DEVIATION / IRREGULARITIES NOTICED

The employees have submitted fabricated tickets for claiming reimbursement for LTC.

The PNR numbers of the tickets did not exist in the data base of IRCTC when it was checked online.

In a few cases, the PNR number did exist but the particulars of the tickets were not matching with the date of journey and family particulars of the employee who had submitted the claim.

LESSONS TO BE LEARNT

Travelling allowance is given to an employee to cover the out-of-pocket expenses incurred while travelling and is not intended to be a source of profit. Proper awareness needs to be imparted to all the employees of the organization to keep due diligence while claiming any reimbursement.

The Controlling officer may satisfy themselves of the mode of conveyance and that the expenses are reasonable. He may have the right to disallow full or any portion of the claims.

Random checks of PNR number etc. of the claims submitted by the employees by bill passing authorities to be carried out which will act as a deterrent.

SYSTEM IMPROVEMENT SUGGESTIONS

Leave Travel Concession / Leave Travel Assistance now forms a part of the Cafeteria Allowances being drawn by the employees of the Company.



WRONGFUL CLAIM OF HRA

OUTLINE/BRIEF OF THE CASE

Credible information revealed that one of the senior officers had concealed the fact that he was staying at Government Quarters allotted to his spouse rendering him ineligible for grant of HRA from HAL from the date of allotment of such Quarters.

As per HAL Manual, when Spouse of the employee is allotted accommodation at the same Station by central/State Government, other PSU's (Central or State), Nationalized Banks, LIC, other Central/State Government Organizations, Port Trusts, Semi-Government Organizations such as Municipality, etc, whether employee resides in that accommodation or not, is not eligible for HRA.

The officer was wrongfully claiming HRA by hiding the fact of allotment of Government quarters to his spouse.

DEVIATION / IRREGULARITIES NOTICED

The Officer requested HR Department to discontinue medical facility from HAL, since his spouse is a permanent employee in Government Organization. However, he did not disclose her designation or nature of work. The same was verified and found that, his spouse was working as an Asst Professor in Government Organization.

The officer communicated to the HR department about his change of residential address. However, he apparently concealed the fact about the allotment of official quarters to his spouse.

The authenticity of the given address was verified and found that he stayed at Govt quarters allotted to his spouse.

It was evident from pay-slip details that the officer was claiming HRA by concealing the aforementioned fact, in violation of HAL rules.

LESSONS TO BE LEARNT

Ignorance of the rule as claimed by the officer cannot be considered as an excuse.

HR officials are required to cross verify/enquire the credentials submitted by the employees to ascertain the authenticity at the time of submission to avoid such incidents.

SYSTEM IMPROVEMENT SUGGESTIONS

It was recommended that an undertaking on entitlement for payment of HRA may be obtained from the employees who are availing HRA, on yearly basis. The same was implemented across all the Divisions.

IRREGULARITIES IN OUTSOURCING OF BLADE POLISHING

OUTLINE / BRIEF OF THE CASE

Some of the blade shop employees of one of the divisions had set up a workshop in the nearby locality of the Division. The blade polishing vendor of HAL had sublet the blade polishing work to the workshop set up by HAL employees.

The employees of Blade Shop were doing the blade polishing work illegally which was outsourced to a particular vendor, after the office hours. Materials / tools/gauges/ POMKLs sent to the particular vendor were diverted to the workshop set up by HAL employees.

Meanwhile, an employee of the division was caught red-handed while taking-out three grinding wheels from the Blade shop. The source information revealed that the employee was the same person who had set up the workshop to carry out the blade polishing work.

Based on the complaint filed by the Division, an FIR was registered. Subsequently, police raided the workshop and found 196 Nos of Blades, 2 POMKLs, 03 Gauges worth of Rs 35 lakhs, which were issued to the outsourced agency by HAL.

DEVIATION / IRREGULARITIES NOTICED

HAL employee had set up a blade polishing workshop and diverted the outsourced blade polishing work from a vendor in violation of the rules of the company.

Undue favour was given to the Vendor by providing Tools / Fixtures / Gauges / POMKLs against the PO terms. This had resulted in financial loss to the Company since the vendor quote was inclusive of the Tooling cost.

The Vendor had sublet the Blade polishing work to the third party in connivance with the employees of the Division without approval.

The vendor violated the provisions of Official Secrets Act-1923.

The outsourcing vendor was registered by the Division without assessing their technical capabilities and financial strength/standing as per the HAL norms.

Even though vendor registration had expired, no effort was made for re-evaluation of its registration.

The finished products were carried by hand which resulted in an additional financial benefit to the vendor with reference to transportation cost, transit insurance cost, reduction of lead time and prospective cost burden towards LD recovery and rework.

LESSONS TO BE LEARNT

Committee should be formed to verify the capacity and capability of the vendor in accordance with Corporate guidelines.

Terms and conditions mentioned in RFQ / PO should not be changed.

clauses safeguarding the interests of the company should not be compromised.

Officers should be more diligent while carrying out official assignments and follow the laid down procedures/ guidelines.

SYSTEM IMPROVEMENT SUGGESTIONS

Dependents of employees should not carry out any allied works, either directly or indirectly, for or with HAL, without prior intimation of the same being given to the HAL Management by the employee concerned.



IRREGULARITIES IN PROCUREMENT OF DESKTOP COMPUTERS

OUTLINE / BRIEF OF THE CASE

A Purchase Order was placed for supply of 310 Nos. of Desktop PCs of HP Make. The cost was Rs 1.24 Crores including taxes, installation and commissioning charges. Accordingly, the vendor delivered the terms.

During surprise check, some PCs were found stored in the IT Department store. It was noticed that the vendor had concealed the SD card slot with a fake HP logo. On being suspicious, another desktop PC was brought to Vigilance Office and checked thoroughly.

It was revealed that Desktop PCs were accepted which were not complying with the technical specifications as per PO.

After the vigilance check, IT Department rejected the Desktop PCs for not complying with the technical specification of the said PO.

DEVIATION / IRREGULARITIES NOTICED

The front face of CPU was bearing two HP logos. One of which was counterfeit, while the other one was original.

It was mentioned in the PO that inbuilt optical driver / memory card slot / Wi-Fi / Bluetooth would be rejected. However, the PCs supplied by the vendor were not matching with the technical specification of the PO.

HP (OEM) confirmed that the said PC was shipped without any Windows Operating System and was shipped only with DOS (Disk Operating System). However, Windows 10, Professional Edition, 64 bit Operating System (PC) and digital license was installed.

The vendor had provided two CDs along with each Desktop PCs and one of the CDs contained Operating System DVD Windows 10 Pro and HP logo was printed. This indicates that the CDs were neither provided by HP nor by Microsoft (Windows OS OEM) and appeared to be purchased by the vendor from local market and therefore printed the information on it.

It was observed that the vendor was allowed to carry out installation of the desktop PCs before being thoroughly checked / inspected soon after delivery as per technical specifications of the PO.

LESSONS TO BE LEARNT

Inspection of materials / items as per technical specifications of the PO should be carried out before initiating any kind of installation and commissioning in HAL premises.

SYSTEM IMPROVEMENT SUGGESTIONS

OEM to be contacted to verify the authenticity of Operating System and other licenses.



INCLUSION OF RESTRICTIVE CLAUSES IN TENDER

OUTLINE / BRIEF OF THE CASE

A complaint was received from a vendor regarding specific conditions in the tender for replacement of conventional light fittings with LED light fittings.

During scrutiny it was noticed that some tender conditions were specific and restrictive in nature, which resulted in poor participation of vendors.

The Technical Committee and Material Provisioning Committee members had gone beyond the existing available policies/guidelines of the organization while finalizing the tender terms and conditions without realizing the consequences.

DEVIATION / IRREGULARITIES NOTICED

It was noticed that the eligibility criteria and pre-bid conditions were not as per Purchase Manual or any policy/guidelines of the Company.

The condition stated that “OEM of the supplies should have its own manufacturing facility and NABL

accredited laboratory in India for ensuring manufacturing of quality products (For manufacturing set up - documentary proof / registration & license for a factory and documentary proof of valid NABL accreditation certificate for photometric testing to be submitted along with the technical bid).

Pre-bid clause stated that prospective bidder who attended the pre-bid meeting only is eligible to respond against the enquiry. Offer / bid of the vendor not attending the pre-bid meeting would not be considered and summarily rejected. The same clause was found to be restrictive in nature and inclusion of this clause was not mentioned anywhere in the Policies / Manuals / Guidelines.

The criteria of owning an NABL accredited laboratory involves cost without any return on investment to any OEM whose core business is into manufacturing. Hence a large number of bidders especially from MSME sector could not participate.

LESSON TO BE LEARNT

Officials involved in tender process should be more cautious while preparing

the tender documents and must refer and follow the relevant available guidelines, manuals and circulars received from time to time.

Any deviation should be brought out with justification without any violation of basic principle of tenders like restrictive clauses and unfair conditions.

SYSTEM IMPROVEMENT SUGGESTIONS

The Technical Committee must ensure that restrictive clauses are not included in Tender conditions.



IRREGULARITIES IN RELEASE OF PAYMENT TO A FOREIGN VENDOR

OUTLINE/BRIEF OF THE CASE

The case was detected based on the information about a wrongful payment of Euro 5267 / Rs 3.68 Lakhs (approx) to a foreign vendor against a PO.

The payment was made to a wrong beneficiary having similar company name, based on a fraudulent e-mail received by the Division containing bank details. After receipt of payment, the account was closed by the beneficiary.

DEVIATIONS / IRREGULARITIES NOTICED

Concerned Department had sought certain clarification from the vendor through e-mail. However, the reply was received from a look alike e-mail id, from a fraudster.

The payment was made to a wrong beneficiary as mentioned in the spoofed e-mail, without confirming from the vendor.

The dealing officials of concerned department failed to notice the difference between the original company e-mail id and the spoofed e-mail id.

LESSONS TO BE LEARNT

Request for change of bank account details needs to be thoroughly re-verified / reconfirmed from the vendor.

Dealing officials should follow due diligence while processing the e-mails received from the vendors especially change of bank account details, address etc.

SYSTEM IMPROVEMENT SUGGESTIONS

- The Bank details such as Account Number, Name of the Account Holder, Name & address of the Bank, IFSC Code / IBAN including SWIFT / SORT Code, as the case may be, be obtained from each vendor /contractor, duly certified by the Bank, and recorded in the IFS System by designated IMM/Sub contract activity connected Department official (to be nominated with the approval of Divisional Head for activity connected Department Official).

a) At the time of registration.

b) Before placement of Purchase Order / Work Order, in case the offer of an unregistered vendor / contractor is accepted for placement of Purchase Order / Work Order.

- The Bank Account details as obtained from the Vendors / contractors in the manner stated above may be brought out in the Purchase Order / Work Order.
- In case the registered vendor / contractor requests for change of Bank Account, either after registration or after receipt of Purchase Order / Work Order, the same should be certified by the Banker / forwarded through SWIFT MT799 or MT199 from Bank of International repute. Thereafter, the same may be incorporated

in IFS and intimated to Vendor / Contractor, with a copy to Finance after carrying out due diligence by Head of IMM / Subcontract / activity connected Department Official (to be nominated with the approval of Divisional Head for activity connected Department Official).

- IMM / Subcontract / activity connected Departmental Official concerned may ensure the correctness of the Bank Account details in IFS System at all times.
- The Finance Department may authorize / release the payment to the Bank Account of the vendor / contractor, as per the above stated system.





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