

**Reading Material
On
IFA System**



Army

Volume Three

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Overview of Army Budget and Budgetary Control

1. Army Budget

Army Budget is catered under the Defence Services Estimates under the following Demands of Grants:

Demand No 22: Defence Services - Army

Demand No 27: Capital Outlay on Defence Services

Demand No 22 caters for the Revenue expenditure of Army and 27 for Capital expenditure of all Services/Departments

2. Revenue Expenditure (Army)

Represents 'Running' or 'Operating' expenditure

Includes expenditure on

- Pay and allowances
- Transportation
- Revenue stores
- Revenue works
- Miscellaneous

3. Capital Expenditure (Army)

Represents expenditure on building or acquiring durable assets

Includes expenditure on

- # Land and Construction works
- # Aircraft
- # Heavy and Medium Vehicles
- # Other Equipment

4. **Classification of Army Budget**

Demand No 22: Defence Services - Army

Major Head - 2076

MH 101 - Pay & Allowances of Army

MH 103 - Pay & Allowances of Auxiliary Forces

MH 104 - Pay & Allowances of Defence Civilians

MH 105 - Transportation

MH 106 - Military Farms

MH 110 - Stores

MH 111 - Works

MH 112 - Rashtriya Rifles

MH 113 - National Cadet Corps

MH 800 - Other Expenditure

5. **Classification of Army Budget**

Major Head – 0076

Receipts

Receipts include rent on building, furniture, disposal of surplus land, recovery on account of supply of water and electricity, sale of dairy produce, recovery on account of sale of surplus stores, value of stores issued on payment, and various other miscellaneous receipts

Recoveries

Recoveries include services rendered to other Departments, MES establishment charges for works executed to Navy, Air Force etc,

6. **Classification of Army Budget**

Demand No 27 - Capital Outlay

Major Head – 4076

Sub Major Head - 01Army

MH 050 - Land

MH 101 - Aircraft & Aero engines

MH 102 - Heavy & Medium Vehicles

MH 103 - Other Equipment

MH 202 Construction Works

In addition small amount for Military Farms, NCC, RR, Rolling Stock etc.

7. **Classification of Army Budget**

Each Minor Head is further subdivided into Sub Heads and Detailed Heads

Illustration -

If Transportation is a Minor Head, 'rail charges', 'air transportation charges' will be Sub Heads. Then within 'rail charges', 'movement of personnel' and 'movement of stores will' be Detailed Heads.

Entire Army Budget is classified on this pattern.

8. **Basis for Formulation of Budget**

Obligatory charges

Essential Maintenance (Revenue) requirements

Committed Liabilities

Prioritized New Schemes/Acquisitions

Emphasis on Indigenisation and self-reliance

* Full funding support is provided to development and production efforts within the country.

9. **Budgetary Review & Calendar**

10th November	: Forecast Estimates
20th December	: Budget Estimates
March end	: Vote on Accounts
May	: Vote for full budget
20th August	: Preliminary Report
10th November	: Preliminary Revised Estimates
20th December	: Revised Estimates
10th March	: Modified Appropriations
August	: Final closing of Accounts

10. **Budgetary Formulation Process**

Estimates of LC heads are prepared and submitted by commanders of units/formations/establishments through respective CsDA/PCsDA.

Estimates of CC heads are prepared and submitted by Concerned Branches/ Directorates in the Service Hers.

FP Dte consolidates these estimates after detailed discussion and sends it to the respective DFAs/Addl FAs who scrutinize and make recommendation w.r.t. background data available with them.

Consolidated Budget Estimates are received by the Budget Division of MOD (Fin).

11. **Budgetary Formulation Process**

Budget Division takes approval of the Raksha Mantri for the consolidated estimates before forwarding it to MOF.

Estimates as approved by MOF become part of central Government Budget and when presented to and voted by Parliament, become Grants.

Minor head wise allocation are communicated by Budget Division of MOD (Fin) to FP Dte which finalize sub-head and detailed head wise allocation in consultation with respective DFAs/Addl FAs.

12. **Fundamental Rule of Budgetary Control**

No item of public expenditure may be incurred unless provision exists in the sanctioned Budget estimates of the year concerned.

This is applicable to the nature of expenditure as well as the amount.

13 **Other rules of budgetary control**

Most careful supervision over expenditure should be exercised and money should not be spent simply because it is available.

Even sanctioned expenditure shall not be incurred until funds have been provided'

Unexpended allotment lapses at the end of financial year and not available for utilization in the following year.

Money should not be spent in haste or in an ill-considered manner merely to avoid the lapse of a grant.

14 **Budgetary Control: Why?**

To achieve economy, efficiency and effectiveness

To obtain value for money

To make optimum use of resources

To ensure accountability and sense of fiscal discipline

Unintentional or unplanned savings are as bad as excess expenditure

15. **Agencies responsible for monitoring of expenditure**

Executive in the Services

PSOs at army headquarters - ultimately responsible to ensure that expenditure does not exceed Budget allocation

Command & lower formations - at their level with reference to allotments made to them

Ministry of Defence

Inter-departmental Monitoring Groups with Reps of Army, DAD, Administrative wing in MOD under the concerned Addl Financial Adviser & JS

Budget Division of MOD (Fin)

CGDA provides All India Compilation of Defence Receipts & Charges on weekly / monthly basis.

16. **Stages of Budgetary Control**

Initial distribution of Budget Grants

Watching expenditure against allotments

Re-appropriations

CGDA & concerned CsDA provide MIS in the form of reports for management and optimum use of resources allocated to Army

16.1. **Initial Distribution of Budget Grants**

PSOs concerned are responsible for ensuring that expenditure does not exceed allotment. This responsibility is discharged by the Director administering activity concerned

'Reserve' to meet unforeseen expenditure

All communications of allotments from Service Hqrs to Command/lower formations with the concurrence of MOD (Fin) endorsed to CGDA and PCsDA/CsDA concerned

16.2 **Watching Expenditure against Allotments**

Primary responsibility of authorities to whom allotments are made

To facilitate monitoring an elaborate MIS exists and reports rendered by CGDA and CsDA to executives concerned

PCsDA/CsDA also keep a watch on progress of expenditure and advise executive suitably

Controlling authorities take remedial measures for regulating trend of expenditure

16.3 **Re-appropriation**

An instrument through which saving under one head can be utilized to meet excess expenditure under other head.

The cardinal principle “an authority can re-appropriate only in respect of savings arising out of the allotment placed at his disposal”.

Re-appropriation can be done at any time before but not after the expiry of the financial year.

Powers of re-appropriation between Minor heads under a Major head with GOI.

Full powers of re-appropriation between Sub heads of a Minor head with MOD.

No re-appropriation between voted and charged expenditure.

No re-appropriation between expenditure and receipt heads.

Power of re-appropriation between the pay head to other heads only with the Ministry of Finance.

Re-appropriation is done in consultation with IFA.

Parliamentary Control

Parliament passes Demands for Grants representing Expenditure Budget.

Standing Committee on Defence examines demands for Grants before it is voted by the Parliament.

‘Excess in a Grant’ is regularized by the parliamentary approval.

Public Accounts Committee examines actual expenditure against sanctioned grant.

Budgetary Control in a CDA Office

All payments under locally controlled heads are noted in the Accounts Section before authorizing payments.

All payments under centrally controlled heads are released against specific allotments.

Regular MERs are rendered to Executive authorities showing status of allotment and expenditure.

Specific communications are made to Executives for abnormal spending trends.

INTRODUCTION TO IFA SYSTEM – ROLE, CHARTER & DUTIES OF INTEGRATED FINANCIAL ADVISOR

IFA System in Defence Services

IFA System in Defence Services

- ✓ New Management Strategy (NMS) / New Financial Management Strategy (FMS) was introduced in 1994 in Navy and in April 1997 in Army and Air Force.
- ✓ NMS intended to enhance ‘value for money’ in revenue expenditure by establishing linkage between resources utilized and output achieved - encompasses economy, efficiency and effectiveness.
- ✓ Implementation of NMS involves greater decentralization with accountability and responsibility in various activities especially in budget formulation and financial control.
- ✓ The aims are to achieve targets with the least expenditure of money, material, manpower and to convert resources into outputs in the most advantageous ratio.
- ✓ The greater decentralization for achieving set objectives/targets necessitated closer association of finance in activities involving expenditure for ensuring financial viability and economy thereof.
- ✓ This was achieved by more delegation of financial powers and association of financial adviser in exercise of delegated powers.
- ✓ Resulted in expediting decision making process and ensuring effective control on the resources.
- ✓ Enhanced powers are being exercised in consultation with the accredited IFA.

Role of IFA

- ✓ Careful and intelligent scrutiny of proposals involving expenditure of public funds.
- ✓ Safeguarding of economy, efficiency and propriety in public finance.
- ✓ Render advice on all financial matters.
- ✓ Be consulted in all cases of specific expenditure proposal.
- ✓ All information. e.g. concerned papers / case file, papers relating to tender, original quotations, CST etc to be available to IFA.
- ✓ Can question the following aspects:
 - ▶ Necessity for spending so much money,
 - ▶ Whether the proposal is necessary
 - ▶ Whether cost-effective alternatives exist
 - ▶ Justification of expenditure in the circumstances,
 - ▶ Whether individual items are in furtherance of Government policy,
 - ▶ Whether cannons of financial propriety have been observed.

IFAs must be involved in

- ✓ Budget Formulation and Provisioning Review.
- ✓ Budgetary control and monitoring of expenditure.
- ✓ Activities related to Procurement.

Charter of duties of IFAs

The Charter of duties of IFA is as under:

- ✓ He shall be the Internal Financial Adviser
- ✓ He will interact for his day to day function with HQrs/Lower formations
- ✓ He will scrutinise cases relating to purchase, projects, repairs, equipments, disposals, and losses etc. which fall within the competence of various authorities at Hqrs/ Lower formations.
- ✓ He will render all other assistance on the financial matters.
- ✓ He or his rep will participate in the various TPCs.
- ✓ He will assist the authorities in monitoring of expenditure against the budget allotments.
- ✓ He will also assist in preparing the monitoring a database on committed liabilities.
- ✓ Any other item of work assigned/ desired by FA(DS)/SDF.
- ✓ Monitoring the processing of Draft Audit Paras/ Audit Paras/ Internal audit objections.

Thus, IFAs will be associated right from the stage of initiation of proposals for procurement/ development till placement/ development till placement of orders for procurement. So far as the association of IFA with Technical Evaluation Committee, the role of IFA would be restricted to the scrutiny from necessity angle. Where, however, the IFAs are unable to satisfy themselves about the necessity point of view, they may go by advice and certification of technical experts including presentations. In any case the necessity aspect should be seen very carefully and cautiously and the IFA should be convinced that the appropriate authority has seen it.

Issues and Problems in the implementation of IFA System

- ✓ List of items approved by certifying agencies at times not made available to IFAs.
- ✓ In certain cases, IFAs not appropriately consulted.
- ✓ Sufficient time not given to IFA with relevant file, papers and documents
- ✓ Stores manufactured by the Ordnance Factories are proposed for procurement ex-Trade under special powers.
- ✓ Stores of specific brands are projected for procurement
- ✓ Cases for procurement of identical items for lower formations are not combined to make procurement cost-effective, time and efforts saving
- ✓ Limited tender action proposed even for items available on MOD Rate Contract, through DGS&D, Ordnance Factory etc.
- ✓ Instead of OTE, LTE is proposed as common mode of procurement.
- ✓ TEC makes inappropriate recommendations
- ✓ Tender opening board open both technical and commercial bids simultaneously
- ✓ Items not covered under delegated powers are being procured
- ✓ Proposals are rushed through towards fag end of financial year to spend allotted funds
- ✓ Splitting of requirements/sanctions violating Rule 133 of FR Part Vol I
- ✓ Funds not being optimally utilized.

Suggestions to improve IFA System

- ✓ A common and standard SOP for all
- ✓ A detailed list of items which could be procured, items evaluated and rejected be circulated
- ✓ Commercial bids of only technically evaluated and found acceptable be opened
- ✓ Role of IFA be defined in preparation and acceptance by annual PPP by CFA
- ✓ Periodical review and regular monitoring of Budget by CFA and IFA
- ✓ Regular training of executive and IFA associated with procurement

Tender Purchase Committee – Role and functions of Executive and Member Finance

Broadly speaking a TPC or Tender Purchase Committee comprises of members from various forums involved in purchasing i.e. Member from the Finance, User Group, Technical expert groups etc. and is usually chaired by the Executive head of the organization resorted to the purchase. The composition of such committee is usually pre-decided by GOI and in most cases the Financial powers within which meaningful decisions of procurement is to be taken is laid down by GOI. In an overall sense the objectives of a TPC can be classified as follows –

- To deliberate on the procurement of the specified item keeping in view the broad objectives of Govt. procurement policy.
- To arrive at a reasonable rate of procurement by considering various inputs available and as prescribed in Govt. Instructions and Orders from time to time.
- Negotiate with the tenders to arrive at a technically acceptable reasonable price.
- To ensure that guidelines issued on procurement by GOI followed.
- To ensure that maximum economy is observed and Govt. interest is preserved in the process of procurement.

Present Areas of Involvement

- ASC -** Conclusion of yearly contract for ASC fresh items, Vegetable/Fruits, Ice, Condiment Milk and Atta grinding. Short-term agreements (oil edible), Special contracts.
- AOC -** Procurement of stores
Conclusion of contracts for civil hired transport for dispatch of goods
Conclusion of Contracts for auctioning metal scraps arising out of Field Firing Ranges (Pokhran, Deolali, KK Range Ahmednagar)
Fixation of RGP for metal scrap
Fixation of MRP for 'B' Vehicles down graded.
- Others -** Conclusion of contracts for IT, Tag, ACSFP, Misc Grants
- EME -** Procurement of Equipments/ items for EME Army Base Work Shop

Role of Finance Member in TPC

1. Acceptance of Necessity:

Due justification from acceptance of necessity is to be furnished to local IFA /LAO for scrutiny. In case of provisioned items, non-availability certificate from concerned depot is to be invariably obtained. If it is the first time procurement, full details of the case along with justification for procurement is to be furnished for scrutiny of IFA /CFA. The following points need to be seen:

Whether for project or for build up
Whether quantity procured keeping in view stock/ pending orders
Capacity of equipment not higher than warranted in dues
Availing use of surplus stock of similar stores in sister lab – whether explored or not.
Whether it is for maintenance facility or consumable.

2. Competence of Sanctioning Authority:

He will see that the authority sanctioned purchase/ procurement of stores is competent to do so or not.

3. Fund Availability

Before concluding contract for procurement for items/ services, the Member Finance will ensure that funds are available.

4. Observance of correct procedure

There are three types of tendering viz: --

Open tender – Estimated value of procurement is above Rs 25 lakhs. Advertisement through DAVP in national and regional newspapers. In this procedure the Indian trade journal should be informed about the requirement indicating detailed technical specification.

Limited tenders – This procedure should be resorted to only when- the estimated value of stores is up to Rs 25 lakhs. In addition, following conditions also permit limited tender enquiry.

(i) Procurement is urgent and certified so by the competent

Authority and the delivery schedule can't be made if open tender is resorted to.

- (ii) Open tender not in public interest.
- (iii) Sources of supply are definitely known
When the field has already been explored.

Single tenders – This procedure should be resorted to only when-

There is a single source and
The product is of propriety nature.

5. Economy

The member finance should ensure that economy has been observed at the time of procurement/purchase of stores. Following points should be kept in mind –

- To be compared with LPC and price change to be assessed.
- If abnormally high – consider negotiation.
- If no LPR available, technical estimate of cost to be done indicating element wise breakup of costs viz. Direct labour, Direct material and overheads
- Variations between the estimated cost and offers received to be studied
- If there is a sharp difference, check up the technical parameters as offered by the various tenders match with tender specification or not.
- Where LPR not available it is necessary that the technical estimate of cost indicating element wise cost should be insisted upon from the executive/ technical authorities. If the offer is a substitute for import the cost of importing in the past should be taken as a parameter for assessing reasonability of cost.
- Whether all offers are technically comparable if not bring them on par.
- Price should be all inclusive and not basic cost.
- If lowest technically acceptable offer is being rejected on Broad technical justification with reference to tender specification indicating cost difference should be given.
- Tender specification can't be added/diluted subsequently. If not, every one must be given equal opportunity/ adequate justification to be given.

6. Tender Conditions

As per rules all standard terms and conditions of contract viz. among other things, security deposit, delivery period, liquidated damages, arbitration, payment terms, terms of delivery inspection etc are to be incorporated in the local purchase order. Local purchase order is a contract. Tenders incorporating standard terms and conditions are to be invited for all such purchases except cash purchases under Schedule XVI. A tender on acceptance becomes a contract. Security deposit cannot be waived without prior concurrence of IFA. Inclusion of Liquidated Damage Clause in LPO

As per GOI Decision Para 8 of Rule 12 GFR, liquidated damage clause is applicable in all contracts. Local purchase order is also a contract. L.D. is recovered for delay due to defaults on the part of the contractor, @0.5% pm or part thereof, not exceeding 5% of total contract value. LD cannot be waived without concurrence of local IFA.

7. Check List for IFA and CFA

It is entirely the responsibility of local purchase officer to ensure the following before the local purchase proposal is submitted to IFA and CFA.

- The items are authorized.
- Items are urgently required.
- Items are not available in unit.
- Items cannot be obtained expeditiously from normal source of supply.
- Local purchase is resorted to in exceptional cases and not as a matter of routine.
- Purchase is resorted to within the financial powers.
- Quotations as required are called for.
- If the items are required for stock purchases, then they are not to exceed more than three months requirement.
- Items are not short life and not likely to be unfit in store.
- Scale laid down is not exceeded.
- Local purchase order has not been split up to avoid necessity of obtaining sanction from higher authority.
- Where higher rates are accepted, reasons in detail to be given for resorting to higher quotation.
- Sanction from higher authority is obtained where such sanction is required to be obtained whenever it exceeds the local commanders powers.

8. Important areas of concern for Finance rep in TPCs

1. Identifying source:

1. The firms, to whom tender enquiries are to be issued should ideally be registered with the contract concluding authorities. The authorities should have obtained the requisite amount against security deposit from such firms. For other firms an EMD is also required.
2. The standing of the vendors should be established clearly through Income tax clearance certificate, Banker's report (for financial standing), Sales tax registration certificate etc
3. The technical capacity of the vendors is also to be established through performance capacity and equipment reports.
4. The past performances of the vendors are also required to be checked.

2. Technical acceptance

Offers that are not technically acceptable should be ignored. The proposal should clearly bring out the deficiency in the offer with regard to the indent specifications or other particulars governing the requirements.(para 9.10 Chap 9 DGS&D manual)
Technical acceptance of the item will be done by the executive. The purview of IFA is limited in this sphere.

3. Post tender revision

Normally post tender revision are to be avoided. However if the firm would have got the order without the revision and at the same time the revision gives some benefit to the purchaser, it may be accepted. (para 9.6 Chap 9 DGS&D manual)

4. Reasonability of rates:

1. In ASC contracts, reasonable rates are decided before the opening of tenders and reasonability of rates quoted by vendors scrutinized with reference to the same. Use of database for rates

must be extensive for the purpose. Such database should include:

- i) Rates of previous years i.e. earlier procurements.
 - ii) Market price and its trend
 - iii) Inflation or escalation, if applicable
 - iv) Estimated value given in indent/demand
 - v) Local factors affecting price e.g. a huge export demand may lead to an increase in price
2. As far as possible contract is to be entered on firm price basis. No offer involving any uncertain or unusual liability or any condition of unusual character should be considered. For any price variation, the variation formula is to be clearly spelt out.
 3. Careful attention should be paid to low rates, which can be termed as fictitious. It must be ascertained if the supplier is in a position to supply the items as per required specifications on the above rates.
 4. Higher rates may be accepted on grounds of urgency. But special attention is to be paid to see that the expectation in anticipation of which the higher rate was accepted is actually fulfilled. Moreover it should also be seen that the delivery date is not extended beyond the date by which the lowest tenderer offered to complete the supply unless there are recorded reasons to the contrary
 5. In case of a single tender purchase, assessment of reasonability of rates will be made either by obtaining a break up of the price quoted, in consultation with technical officers where possible, comparison can be made with the last purchase prices of comparable stores.

5. Payment terms

1. Unless specially provided for by the tender or authorized under special rules, no cash advances should be made to the contractors.
2. The various components of the prices quoted by the vendors need to be examined. Some of these components are:

For indigenous stores:

Basic price – including raw material, wages, processing charges, overheads, packing and forwarding and margin of profit.

Excise duty

Sales tax

Freight

Transit insurance

Octroi duty/terminal tax

For imported stores

Net FOB – price in foreign currency

Agency commission

Ocean / Air freight and insurance

Customs duty in India

Landing and clearing charges

Inland freight/insurance/octroi/terminal tax

3. Prices quoted by vendors should normally be “Firm and fixed” as ambiguous price clause may make the contract conditional as per R 231 (v) FR –I Vol-I
4. However, if price variation is necessary, a comprehensive and standard price variation clause and formula is to be worked out in consultation with the IFA under orders of the CFA.
5. All quotations should clearly mention whether or not prices quoted are inclusive or exclusive of any form of tax or duty. In the absence of any such stipulation it is to be assumed that the price quoted include these elements and no claims for the same will be entertained after opening of tender.
6. Normal payment terms are 100% payment within 30 days time after receipt and acceptance of material in good condition, or the date of receipt of supplier’s bill whichever is later.
7. If required an amount form the total (usually 10%) may be kept back as performance guarantee during the period of warranty.
8. However payment upto 90/95 % against proof of dispatch taking into consideration aspects like the standing and performance of

the contractor, and pre inspection of the goods at the contractor's premises whenever considered necessary.

9. Other terms of payment can be agreed to in exceptional circumstances only after consultation with Integrated Finance.

6. Delivery period:

It is to be ensured that the firm which is being considered for acceptance for supply offer delivery as per requirement or nearest to it

While no credit is to be afforded to the supplier for delivering goods prior to the delivery schedule, for deliveries later than the same, a penalty clause is to be incorporated in the contract. (para 9.17, 9.18 Chap 9 DGS&D manual)

7. Risk purchase

1. In order to obviate a situation where the supplier fails to deliver the stores or any installment thereof within the period fixed for such delivery or at any time repudiates the contract before its expiry, it is important to include a clause on risk purchase in the tender/contract. Vide this clause in the event of the above scenario taking place the Government will be entitled to cancel the contract and repurchase the stores not delivered at the risk and cost of the defaulting supplier.
2. In such a case the defaulting supplier shall be liable for any loss, which the Govt. may sustain on that account
3. As far as possible risk purchase should be made on an open tender.. However if limited tender enquiry is resorted to under special conditions that are enumerated, all the known suppliers should be included within the scope of enquiry. The defaulting firm should be included on both the occasions.
4. If in response to the risk purchase tender, the defaulting firm is found to be the lowest acceptable offer, order may be placed on it subject to a security deposit of 10% of the contract price. In case of failure of the firm against the new contract security deposit may be forfeited without prejudice to purchaser's right to force further remedial action.

5. In case of risk and purchase on second round, the defaulting firm will have to be kept in the picture but their offer may be ignored even if they are the lowest.

8. Post tender negotiations

1. Post tender negotiations are generally discouraged as they vitiate the sanctity of the tendering procedure and quality is the casualty. CVC instructions need to be followed in this regard.
2. Should not be resorted to unless
 - i) There is evidence to show that the prices obtained are unreasonably high
 - ii) There is a tendency to obtain high rates by ring formation
 - iii) There is a lack of capacity
3. Post tender negotiations are banned except in negotiations with L1 i.e. the lowest bidder.
4. Decisions on negotiations and counter offers may be decided by the competent authority in consultation with Finance.

9. Re-tender

1. Exception rather than the rule
2. Justified only when there has been a change in the basic specification of the item to be procured, after receipt of tenders
 - i) Where the offers received do not conform to the required specifications
 - ii) Where prices quoted are unreasonably high or low
 - iii) where there is a sudden downward trend in the market.
4. The case where no offer is received is to be treated as one where the purchaser has not gone for tender at all. (Para 9.3 Chap 9 DGS&D Manual)

5. If after tendering only one vendor responds or the bids of the other vendors are rejected on technical grounds, re-tendering may be resorted to. However the CFA may recommend, in exceptional cases with the concurrence of the IFA, procurement through the single vendor. In such a case approval of the next higher CFA, with concurrence of respected associated IAF, would be required. (SOP for IT projects for Army)
6. Before re-tender look for the following things
7. The nature of demand is urgent or otherwise,
 - ii) The quantity required
 - iii) No of suppliers to whom call issued and no who responded

10. Difference in the opinion of Finance and Executive

1. In the event of CFA not agreeing with IFA, he can overrule IFA and record reasons. However, he is required to report it to next higher CFA and IFA. It is for the IFA to consider whether to report it to in higher Finance channel or drop it on merit of the case.

(Ref: Rule 240 FR I Vol I)

11. Other aspects looked into by the Finance rep:

- To check if the composition of the panel is correct.
- To check if the acceptance of necessity has been accepted by the IFA.
- To check if funds under the correct head of accounts is available.
- To check if the procurement is within the financial powers of the CFA.
- To ensure that purchases are made in the most economical manner and economies of scale are adhered to in terms of para 131 of FR I Vol I.
- Legal advice as per R 255 and R 231(ii) FR I Vol I are taken if required.
- Canons of financial propriety as per R 6 FR I Vol I are followed.

11. Ingredients for effective role in TPCs

- Rules on the subject
- Knowledge of Legal provisions on contract
- Constitutional provisions
- Knowledge of background data and price trend
- Negotiation skills
- Knowledge on provision in Financial Regulations/ GFR.

Tender Purchase Committee - Functions and Composition

1. Broadly speaking a TPC or Tender Purchase Committee comprises of members from various forums involved in purchasing i.e. Member from the Finance, User Group, Technical expert groups etc. and is usually chaired by the Executive head of the organization resorted to the purchase. The composition of such committee is usually pre-decided by GOI and in most cases the Financial powers within which meaningful decisions of procurement is to be taken is laid down by GOI. In an overall sense the objectives of a TPC can be classified as follows –

- To deliberate on the procurement of the specified item keeping in view the broad objectives of Govt. procurement policy
- To arrive at a reasonable rate of procurement by considering various inputs available and as prescribed in Govt. Instructions and Orders from time to time.
- Negotiate with the tenders to arrive at a technically acceptable reasonable price.
- To ensure that guidelines issued on procurement by GOI followed.
- To ensure that maximum economy is observed and Govt. interest is preserved in the process of procurement.

2. **Objectives Of a TPC**

- To deliberate on procurement of a specified item with respect to broad procurement policies of the Govt.
- To consider the various inputs available to arrive at a reasonable rate of procurement.
- To ensure that all the rules and procedures for procurement are followed.
- To check that all conditions of procurement, as sought for are been met.
- To ensure that maximum economy is observed and Govt interest is preserved in the procurement process.
- Based on the above make recommendations on procurement.

3. **Objectives of Purchase**

- Buying at the right price
- Buying at the right time
- Buying the right quality
- Buying from the right source
- Buying the right quantity

4. **Composition of a TPC/PNC**

1. TAG

An Officer nominated by CFA

- Chairman

(depending upon the overall cost of the projects)

One Officer from user unit

- Member

One Officer with sound technical background

- Member

Rep of IFA/CDA

- Member

(Not below the rank of ACDA/DCDA/JCDA)

Level TPC/PNC

Maj Gen	above Rs.50 lakhs
Brig	upto Rs.50 lakhs
Col	upto Rs.10 lakhs
Lt Col	upto Rs.5 lakhs

2. Information Technology

The composition of the TPC/PNC will be as under:

Chairman of TPC/PNC	
Major Gen	Rs. 50 Lakhs (DCDA/JCDA)
Brigadier	Rs. 20-50 lakhs (ACDA/DCDA)
Col/Lt Col	Upto Rs 20/-

Note:

1. Several proposals can be clubbed and considered on a specified date.
2. TPC will satisfy itself with the CST.
3. May negotiate with the lowest bidder.
4. Make record to CFA after due concurrence of IFA/CDA..

3. Army Service Corps

Composition of the panel of Officers

Executive officer as specified, for different contract sanctioning Authorities.

Rep of Fmn Commanders at appropriate level.

Rep of respective IFA/CDA.

Rank structure of the panel of Officers (Command/Higher CFA)

- | | | |
|-------|----------------------|---|
| (i) | Executive Office | - MG ASC |
| (ii) | Rep of Fmn Commander | - An Officer not below the rank of a Maj Gen. |
| (iii) | Rep of the CDA | - An Officer not below the rank of ACDA/Dy IFA. |

Areas of involvement

The Basics:

- To check if the acceptance of necessity has been accepted by the IFA
- To check if the procurement is within the financial powers of the CFA
- To check if the composition of the panel is correct
- To check if funds under the correct head of accounts is available

Scrutinize source

- Check on the no of firms to whom tenders issued (if LTE) and the response
- Invitation to be offered to firms originally approved by IFA and CFA
- Check on reasons for any deviations including rejection of firms
- Have some background information on short listed firms:
 - (a) Standing of firm – IT clearance, bankers report
 - (b) Technical/Financial capacity
 - © Past performance

CONTRACTS & PROCUREMENT PROCEDURE

1. What is a Contract?

The Indian contract Act, 1872, defines contract as ‘An agreement enforceable by law’. An agreement is defined as ‘every promise or every set of promise, forming the consideration for each other’.

According to the section 10 of the Act all agreements or contracts if they are made by the free consent of parties competent to contract, for a lawful consideration and with a lawful object, and are not hereby expressly declared to be void. Consent is said to be free when it is not caused by coercion, undue influence, fraud, misrepresentation or mistake.

2. What is a Tender?

The expression ‘tender’ under the law of contracts is understood in two distinct senses. First the expression denotes a tender of performance or offer of performance or attempted performance of a contract. Secondly, it is understood in the sense of a quotation. When the party inviting tender accepts the offer of such tender or contract emerges between the parties.

A quotation is an invitation to offer but not an offer by itself. But in case of tender it is in the nature of standing offer. The person submitting a tender in response to the tender notice offers either to sell or purchase or render services. But a tender notice inviting tenders is an invitation to offer which becomes into a contract only on the acceptance of tender. Even though a person may make the highest bid in the tender submitted by him, it need not necessarily be accepted. A contract will be concluded only when the acceptance of the bid is communicated to the bidder.

3. Contracts for Projects

Most projects large and small are executed on contract. Tenders invited evaluate the best agency selected and an agreement is drawn up which binds both the parties – owners as well as the contractors. The contractor contracts the building fabricates and installs the equipment and provides furnishings. He renders any other service contracted for. The owner compensates the contractor for services

rendered and provides facilities, which are necessary for execution of the work.

4. Government Contracts

Governments in all countries resort to contracts for construction as well as other services. The common assumptions behind this are:-

- Private sector know how is much more specialized as compared to that of the Government set-up;
- Private sector's efficiency is much higher than that of the civil service bureaucracy;
- Procurement of goods and services from private sector saves a lot of expenditure;
- International expertise and technology is not available in the country.

5. The Range and Scope of Government Contracts

Beginning with small-value simple articles like Stationery, Office equipment to vehicles, ships, aircraft and weapons of war like tanks submarines etc., a variety of goods and services are required by the Government. Lately project consultancy and management services are also required for a great deal of Government activities. For such widely varying nature of goods and services various types of contracts are executed.

6. Types of Contracts

Lump Sum

- Based on drawings and specifications given only by the owner.
- Based on drawings and specifications given only by the tenderer.

Item Rate Contract

Percentage Rate Contract

Cost-plus

- Fixed fee/sliding scale/percentage fee
- Target price

Running Rate or Term Contract

- On the basis of measurement
- On day work basis or on cost-plus basis

7. Tender Documents

Tender documents are prepared for any of the types of contracts mentioned above. They should be prepared with great care and fair for details. Every future possibility should be taken care of. The main objectives should be spelt out very clearly and in the case of supply of goods the exact quality requirement and inspection before acceptance of delivery should be mentioned. Other important conditions regarding the manner in which the payment is to be made to the contractor, the important conditions regarding time, variation of quantities, penalties in case of delay, security deposit, labour regulations etc. have to be mentioned. Certain of these conditions can be flexible and negotiable according to changing circumstances.

8. Methods of Inviting Tenders

Common methods of inviting tenders are

- Open Tendering
- Limited Tendering
- Single/Negotiated Tender

9. Evaluation of Tenders

1. After tenders are received, evaluation should be simple after all, a lot of care is taken into defining the requirements of the owner, preparing drawings, estimates, designs, standardizing clauses of contract. It would appear that with all this work selecting a proper agency, for the work of those who have tendered should not be difficult.
2. In reality this is not so. A tenderer's rates may not be based on the actual cost plus overheads. He may artificially raise or lower these. Some tenderers may give concessions and rebates subject to certain conditions which were not included in the original tender documents, for example, rebate may be offered if mobilization advance is given, if materials like cement and steel are arranged by the owner and for prompt payments. The rebates may or may not

be quantifiable at the tendering stage. Assumptions have to be made to determine the impact of such rebates before evaluating tenders.

3. Sometimes the tenderer does not comply with all the conditions in the tender documents. He may not deposit the earnest money in the prescribed form, instead of a bank draft, he may give a cheque. At the same time his offer may be tempting and because his past performance has been reasonable good, the owner may not like to disregard it.

10. Remedial Measures

Remedial measures to avoid complications cannot be exhaustive. However some precautions can be taken:-

- Whether adequate publicity to call of tenders was given. Time available should be commensurate with value and nature of work done.
- Whether tender papers were ready for sale on time.
- Whether blank spaces in tender papers, if a standard form is used, have been properly filled up.
- Whether tenders were sold to the qualified bidders in conformity to notice inviting tenders.
- Whether enlistment, capability and other pertinent details of bidder were checked before selling tender.
- Whether all corrections and overwriting in tenders were numbered and initialed by the officer initiating the tender.
- Whether rates and conditions of all tenderers were read out to the representatives of contractors present at the time of opening of tenders.

A pre-bid conference with firms or market survey for any novel item or special category work is desirable before finalizing specifications. This step helps in matching specifications to items available in the market and selection of the best among alternations. Need of negotiations before acceptance and modifications after acceptance are thus reduced.

11. The Audit Criteria

1. The audit criteria may be developed from generally accepted management practices, financial regulations of the control agencies and concerned legislation or organizational policies and the guidelines of the donor agencies like World Bank, wherever applicable.
2. The general level criteria deal with issues of efficiency, effectiveness and economy and are broadly the same as management objectives. The detailed criteria deal with the audit procedures to achieve the general criteria.
3. The reporting requirements of the audit should also be considered while developing audit criteria.
4. Usually the detailed criteria of audit can be developed in the form of questions or precepts. Such criteria are developed for each of the following aspects of the contracts: -

1. 'Need' definition

General criteria-

Requirement of goods or services should be clearly established and linked with the objectives / programmes of the Department.

Detailed criteria-

- (i) Were the needs established after the consideration of the current year, plan or the prospective work plan?
- (ii) Were the needs worked out by the competent authority and logically linked with the programme/activity?
- (iii) Was the availability of funds considered while working out the requirements?

2. Requirements specification

(a) General criteria-

The detailed statement of specification should include specification standard or requirement with respect to performance, time, service and cost.

(b) Detailed criteria-

- (i) Requirements should be defined in terms of nationally and internationally recognized standards;
- (ii) Trade names and for equivalents should be used to

- define the requirements; and
- (iii) Sourcing of the items are to be indicated

3. User requirements:-

General criteria-

User requirements should be properly completed and authorized.

Detailed criteria-

- (i) User's request should clearly specify the requirement in a way that will facilitate the acquisition.
- (ii) All calculations regarding quality and price should be arithmetically correct.
- (iii) The user's request should be properly authorized, certifying that funds are available to meet the proposed expenditure.

4. Invitation of bids

General criteria-

Most suitable method of procurement should be adopted keeping in view the cost and efficiency.

Detailed criteria-

- (i) Decision for competitive or non-competitive bidding should be justified within the terms of entity's policies.
- (ii) The chosen method of procurement should result in adequate control over, time cost and performance.
- (iii) In case of sole source, the justifications should be adequate and approved by the competent authority.
- (iv) Method of bid solicitation should give all qualified suppliers a fair opportunity to be considered.
- (v) Only suppliers with adequate technical and financial capability should be invited to tender.
- (vi) Bids should be handled in a way that maintained the integrity of the process.

5. Contract implementation

General criteria-

Contract should be implementation strictly in accordance with the conditions and accepted financial practices.

Detailed criteria-

- (i) Invoices are in accordance with payment terms.
- (ii) Invoices are complete and arithmetically correct.
- (iii) Invoices are properly approved to certify receipt of goods or services.
- (iv) Those involved in purchasing are independent from payment authorization.
- (v) Payments against contracts should be reviewed periodically against the total contract value.
- (vi) Notification of unsatisfactory performance and violation of contract conditions should be provided.

6. Contract approval and award

General criteria-

Contracts should be approved by the levels of authority set out by the entity's contract regulations.

Detailed criteria-

- (i) The contract should be approved within the delegated time-limits.
- (ii) The contract should be decided within the time-limits of validity of offers and where expansion in validity is required, it should be for recorded reasons
- (iii) Standard forms of contract should be adopted as far as possible and legal and financial vetting should be obtained for contracts before placement of orders.
- (iv) Uncertain or indefinite liability of conditions of unusual character should be avoided.
- (v) Where entity's property is allowed to be used by the contractor, proper safeguard for their timely and safe return should be provided in the contract.
- (vi) If the execution of the contract is for a prolonged period, a review of the progress of the contract should be made at definite intervals.

7. Modification of contract

General criteria-

Contracts should not be amended unless such amendments are in the best interest of the organization.

Detailed criteria-

- (i) Amendment should be approved by the competent authority and after due consideration of financial and legal effects.
- (ii) Number and value of contract conditions should be reasonable.
- (iii) Contract amendments may result from poor contract planning / framing and / or poor performance of the contractor.
- (iv) The liability of the contractor, for amended provision, should be clearly defined.

8. Dispute resolution

General criteria-

Bid protests and contract disputes should be appropriately addressed and resolved with a minimum delay.

Detailed criteria-

- (i) Arbitration clause should be specific and legally enforceable.
- (ii) Contract disputes should be dealt with by the appropriate authority without delay.
- (iii) Awards should be implemented promptly.

12. Contract and Acceptance of Tenders

DOs

- Allow adequate and reasonable minimum time (as prescribed) for opening of all tenders to encourage proper response except in emergencies.
- Ensure timely supply of copies of approved plans for tenders where special items rates have to be quoted for the particular details of the approved plans.
- Ensure that tender abstract (comparative statement) and briefing note have been prepared and duly signed by the concerned officials on each page.
- Only consider offers accompanied by requisite earnest money.
- Attempt identification of sister concerns to detect ring formations- especially in the case of limited tenders.
- Ensure consideration of reasonableness of rates in the tender committee minutes. This should not only be with reference to presumably accepted rates, but also after taking into accounts market rates and analysis of rates.

- Obtain views of the competent authority to deal with the lowest acceptable offer of contractors with adverse reports.
- Treat the Tender Committee recommendations with dissenting notes carefully.
- Record relevant reasons for overlooking the lowest offer if it is not acceptable.
- Order calling for fresh tenders if items are to be revised or their value is to be enhanced.
- Ensure that special conditions do not give scope for acceptance of high rates.
- Ensure that the tender committee minutes contain the relevant information as the date, venue of the meeting and dates, signatures of the members.
- Ensure that rating of the offers received is done properly after evaluating the special conditions and vetting by finance.
- Ensure that the reasonableness of rates is examined critically, logically and specifically, both in respect of total cost and rates of important individual items.
- Beware that low offers are in fact so in reality and price differential for similar but different items of schedule is reasonable.
- Ensure that the tender committee is duly constituted of competent level of officers specified.
- Ensure prior sanction of competent authority before including additional quantities.

DONT'S

- Do not change the Tender Committee members once constituted without prior approval of competent authority.
- Do not consider delayed/late tenders except under specified exceptional circumstances.
- Do not treat the Tender Committee's recommendations with dissenting notes from one or more members of the Tender Committee as a unanimous recommendation.
- Do not order negotiation on the repeated advice of tender committee to invite fresh tenders, particularly where response to the call for negotiation is poor.
- Do not exercise the powers of the accepting authority in case you have been a member of the Tender committee.
- Do not hold negotiations with those who has either not tendered originally or whose tender was rejected because of unsatisfactory credentials, inadequacy of capacity or where tenders were

unaccompanied with adequate earnest money or any other invalid tenders.

- Do not accept open quotations .
- Do not entertain letters/representations of tenderers. subsequent to the opening/negotiation/consideration of tenders.
- Do not accept modified offers, not considered by the Tender Committee.
- Do not allow subsequent revision of the minutes, unless the reconsidered minutes are put up in addition.
- Do not record the acceptance/otherwise of the tenders anywhere else than the body of the Tender Committee minutes.
- Do not advise the Tender Committee prior to their deliberations on the suitability or otherwise of any particular offer.
- Do not allow anomalies in evaluation of special conditions to affect the acceptance of the offer recommended.

13. Arbitration

1. The Law of Arbitration

The Law relating to Arbitration in India is contained in the Arbitration Act of 1940.

2. Essential elements of an Arbitration Agreement

1. A valid agreement must be in writing and satisfy all the essential elements of a valid contract.
2. The agreement may be to refer the present difference or likely future difference to Arbitration.
3. When there is an Arbitration clause in a contract and the contract comes to an end owing to frustration or becomes avoidable, the arbitration clause may still continue to be binding.
4. Agreement to refer the dispute to arbitration is not valid if it lacks the essential elements of a contract.
5. The construction of an Arbitration agreement is not thwarted by narrow pedantic interpretation.

Note:

The standard terms and conditions governing the orders placed by OFB/ OFs include an agreement for settlement of disputes by sole arbitration by DGOF or his nominee.

3. Effect on an Arbitration Agreement

Where the parties are bound by an Arbitration Agreement, the disputes arising from relevant contract cannot normally be taken before a Court. Any party choosing to file a suit may be prevented from doing so by the other party. Thus, an Arbitration agreement is a bar to a civil suit relating to matters covered by the Arbitration Agreement.

4. Foreign Award

Arbitration (Protocol and Convention) Act, 1937 and the Foreign Award (Recognition and Enforcement) Act, 1961 provide that an Award made in a foreign country will be enforceable in India in the same manner as an award made in India provided the following conditions are fulfilled: -

- The Award relates to a matter considered as covered under the law force in India.
- The Award is made in a country with which India have reciprocal agreements for such an enforcement of Award.
- The Award is final i.e. no proceedings are pending in the foreign country concerned for contesting the validity of the award.

5. Mechanism of Arbitration and other connected matters

- 5.1 Dispute in an Arbitration Agreement may be referred to a single arbitration named in advance or selected uniformly by both the parties at a later stage. Then it becomes a case of sole arbitrator. However, the general pattern is that each party to the agreement nominates an arbitrator. If the reference is to an even number of arbitrators the arbitrators shall appoint an umpire not later than one month from the latest date of their respective appointment.
- 5.2 The arbitrators are normally required to make their Award within four months after entering on the reference. If the arbitrators fail to make an award within the stipulated time the

umpire must forthwith enter on the reference in lieu of the arbitrators.

- 5.3 The umpires shall make his Award within two months of entering on the reference (unless the time is extended through the intervention of the Court).
- 5.4 The parties to the reference and witnesses called by them shall submit to be examined by the arbitrators umpire upon oath or affirmation and must present before them all necessary books, paper and documents and do all other things, during reference the arbitrators or umpire may require. The award of the Arbitrators/Umpire shall be final and binding on the parties. The Arbitrators/ Umpire may make on interim award to be followed by final Award.
- 5.5 The Arbitrator's/ Umpire's remuneration is determined by agreement between the parties and the arbitrators/ umpire before arbitration proceedings commence.

CONTRACT PROCEDURE IN ASC FOR PERISHABLE ITEMS, LOCAL PURCHASE OF CP ITEMS (OTHER THAN PERISHABLES)

Authority: Govt. of India, Min. of Defence letter No. F12(1)/83/D(QS) dated 6/8/83 as amended from time to time as superseded by Govt. of India, Min. of Defence letter No. PC/RAKSHA/68063/Q/ST5/5089/D(QS) dated 22/11/2000 further revised vide MOD No. PC/RAKSHA/63060/Q/ST5/3633/D(QS) dated 26/09/2006; MOD No. A/89591/FP-1/693/2002/D (GS-I) dated 22 April 2002; and MOD No. A/89591/FP-1/1974/2006/D (GS-I) 26 July 2006.

The above Govt. orders lay down the procedure for conclusion and operation of ASC (Army Service Corps) Contracts for perishable items. These Govt. orders are detailed and comprehensive covering every aspect of conclusion and operation of these contracts starting from the process of registration of contractors right up to conclusion and operation of the contracts and even covers post contractual matters/developments. The procedures laid down are very specific and lay down in clear terms the action to be taken under different circumstances and contingencies and as also the specific formats to be used for communications in certain cases. The procedure is in two parts one dealing with Registration, Removal, Banning, Suspension of ASC contractors where action is to be taken entirely by ASC authorities and the other part dealing with conclusion of ASC Contracts where CsDA are also involved as IFAs in some cases.

2. In so far as the role, functions and responsibilities of the IFAs in the matter of conclusion and operation of these contracts (Part II of the Govt. orders) are concerned some of the provisions of the Govt. orders have direct relevance and bearing. In these guidelines therefore it is proposed to deal with only those provisions having a bearing and relevance to the role and functions of IFA in the matter.

3. In view of what has been mentioned in Para 2 above, some of the important provisions contained in the Govt. orders concerning various aspects, which have a bearing and fall within the ambit of the IFAs role, and functions in the matter are dealt with in the succeeding paras. For facility of reference, the Para No. of the Procedure (Govt. orders) is also indicated within brackets against the relevant items.

Important Provisions in the Procedure

4. A) **Working out of Approximate Requirement:**

The Executive authorities should be in possession of the estimated requirements for conclusion of contracts. The estimated requirements should be worked out on the following basis :

- Present actual feeding strength \times scale \times period - Quantity `A`
- Average quantity actually drawn during the Last 3 years - Quantity `B`
- Quantity required based on the anticipated increase/decrease in the strength during the currency of the contract (strength \times scales \times period) less quantity to be obtained from soldier's garden produce and unit Dairies - Quantity `C`
- Approximate Requirements = $\frac{\text{Average of Quantity `A`
Quantity `B` and
Quantity `C`}}{}$
- Due allowance will be made for any other factors which may affect future consumption such as permanent or temporary increase or decrease in the garrison, alteration in ration scales, turnover of tinned items in Supply Depots and so on.
- Anticipated increase/decrease in the strength would be obtained from the staff by the Executive officers at all levels.

Estimated value of the proposed contract

5. This will worked out on the basis of approximate requirement of the item/items at the current contract rate. This would enable the Executive Officer to determine CFAs for sanctioning respective contracts.

Average Local Market Rates

6. Officers Commanding Stations will detail an officer monthly or more frequently as necessary to obtain the local market rates of those items for which ASC Contracts are concluded. These rates when obtained will be countersigned by the OC Station. In addition, quarterly Station Board of officers will be convened who will take into consideration the monthly rates obtained by the officer detailed for the purpose and may if considered necessary, check rates by visiting the market in person.

Market Research cells

7. The M.R. Cells authorized to ST Branch in the Area HQrs will be responsible to formulate average local market rate for each items/station in their jurisdiction for each quarter based on the following sources.

- Market Survey i.e. study of major markets and market practices in their areas.
- Study and evaluation of all reports/ data compiled and published by local/provincial/Central Govt. departments / agencies in respect of items of interest to ASC.

These rates will be compiled for each quarter and forwarded to respective CsDA for their scrutiny and advice along with documents pertaining to sources of information/data. These rates will also be entered in the comparative statement of Tender (CST)

Tenders without/with insufficient Earnest money

8. Tender unaccompanied by Earnest Money or accompanied by insufficient Earnest Money will be entered separately in the CST by the Board of Officers opening the tenders. The decision to reject or to accept such tenders will be taken by the Board of officers consisting of the representative of the ASC, IFA/CDA concerned and the CFA keeping in view the interest of the state. Detailed reasons will be recorded in the panel proceedings for accepting/ rejecting such tenders. However, such tenders should not be accepted as a matter of routine. While rejecting such tenders, the earnest money will be returned immediately.

Rate pattern for contracts and determination of reasonable rates

9. The following data will be used for determining the Reasonable Rates:

- Average of contract rates of last three years and average inflation during the last two years on the basis of wholesale price indices published by Ministry of Industries.
- Average of retail rates (published by Ministry of Agriculture), of particular stations or for nearby stations of last 12 months reduced by a pre-determined depression factor (which should normally be not less than 30%) for converting retail rates into wholesale rates. ALMR (retail rates) to be

carefully compiled monthly by a station board of officers will be used as retailed rate at stations for which the Statistical Rate (SR) is not published by Ministry of Agriculture.

- Special factors affecting meet prices such as export demand, natural, calamities in certain regions, statutory levies, imposed by the Govt. should also to be taken into account and the RRs Calculated as per sub para 61 (a) and (b) above suitably amended. Extent of weightage given should be compiled carefully based on authenticated data/information. The efforts should be to arrive at a realistic RR taking into account the various relevant factors effecting contract rate at a station.
- Based on the information made available by MR cells and other sources, the panel of officers (as per composition at `J' below) will deliberate on the above details and arrive at reasonable rate for each item and station (s). The reasonable rates to be arrived at will be in terms of the actual cost in the case of meat items and in terms of a percentage increase/decrease over the CCR of all other items. The information about formulation of Reasonable Rates will be a closely guarded secret and will under no circumstances be disclosed to persons other than the panel of officers. To ensure sanctity of the above rates the panel of officers will arrive at the reasonable rates on the same date and time at which the tenders for these items/stations are being opened. In case there is a difference of opinion in the panel of officers regarding fixation of RR, the matter will be referred to the CFA for a final decision.
- The Reasonable Rate once determined will be put down in writing and signed by the panel of officers and will be kept in a sealed cover. No changes will be made to those rates thereafter. These rates will then be attached to the CST for perusal by the sanctioning authorities. Normally RR once fixed will not be revised. However, if revision of RR has to be done because of unavoidable reasons detailed justification will be given in the panel proceedings.

Level of Processing

10. The tenders will be opened and processed as under:-

QMG Contracts	MG ASC Command
GOC in-C Contracts	MG ASC Command
GOC Corps Contracts	DDST Corps
GOC Division Contracts	OC ASC Battalion
Area Commander/Independent Sub Area Commander Contracts	DDST Area/DDST independent Sub Area
Sub Area Contracts	ADST/DADST

Comparative Statement of Tenders

11. The following information will be shown on the Comparative Statement of Tenders –

- Details of supplies/services tendered for .
- Approximate requirements stated in the schedule.
- Average wholesale market rates for the last 3 corresponding years.
- Previous contract rates for the last 3 corresponding periods.
- Reasonable Rates arrived at by the panel of officers will be entered in the column “periodic vocabulary data” on the existing CSTs.
- Rates quoted by different tenderers serial wise.
- Estimated cost.
- Each CST will be a complete document in itself. All decisions regarding invitations and orders passed for re-tendering by various authorities will be recorded in writing on the CST so that complete flow pattern of the conclusion of the contract can be studied. Detailed recommendations in respect of each case duly signed by the members of the panel and intermediary CFA will be pasted in the CST at relevant places and pages serially renumbered.

Composition of Panel of Officers (Para 68)

12. The tenders pertaining to ASC Contracts after having being opened by the Station Board of Officers, will be examined by the panel of officers at HQrs Command/Corps/Division/Area/ Independent Sub Area/Sub Area. As far as possible, the composition of the panel should remain permanent till such time, the contracts for a season

are concluded. Under no circumstances, the CFA representative, should be from ASC.

- Executive Officer as specified, for different contract sanctioning authorities and as indicated in clause 299 of the Constitution.
- Representative of Formation Commanders at appropriate level.
- Representative of respective IFA/CDA.

In respect of Military Farm Contracts, the composition of the Panel of officers will be:

Executive Officer - DDMF Command
Representative of Command HQrs at appropriate level
Representative of respective IFA/CDA.

Action by Panel of officers

13. The Panel of officers will be responsible to examine the tendered rates in hand in relation to the Reasonable Rates which would have been decided earlier by them as at F (b) above. Firm date and time for meeting of the panel of officers will also be communicated by the Executive Officers to the concerned CDA well in advance to enable them to participate in the deliberations.

If the rates tendered at the time of opening of tenders are found to be at par or below the Reasonable Rates determined by the Panel of Officers, the tenders will be recommended for sanction in favour of the lowest tenderer. In such cases no invitational offer will be made.

If LTR is higher than RR, an invitation offer should be made only to the lowest tenderer by calling him for negotiations with the Panel of Officers. The panel should obtain the tenderer's revised rates in writing. If the revised rate is still higher than RR, the panel may consider recommending the rate for acceptance, if the difference is marginal. Otherwise the panel should recommend re-tendering.

The process of ordering additional tendering has been done away with.

Re-tendering Authorities empowered:

14. "Re-tendering will be ordered by respective CFA in cases where recommendations of the panel are unanimous. In cases, however, where recommendations of Panel of officers are not unanimous, authority one above the CFA may order re-tendering. In case of contracts sanctionable by GOC-in-C command, where recommendations of the Panel of Officers are not unanimous, next higher authority will order re-tendering. In case panel of officers recommends the contract for conclusion and the CFA does not agree with the recommendation he will record reasons for the same and the authority to order re-tendering in that case will also be the next CFA. In case of contracts sanctionable by QMG, re-tendering will be ordered as under:

- In case of recommendations of Panel of officers are unanimous, re-tendering will be ordered by GOC-in-C command.
- In case recommendations of panel of officers are not unanimous, the QMG will order re-tendering. However, Ministry of Defence and its integrated Finance Division may be consulted.
- If the rates quoted are lower than 20% of RR, the same will be treated as fictitious and rejected by the panel of officers. Action should be taken against such tenderers as per the prescribed procedure. However, the panel may take the decision on such tenders only after discussion with the tenderer and reasons for rejection/acceptance should be recorded in the panel proceedings. Provisions of this para will not be applicable to Ice (MM).
- In case lowest rates are obtained from more than one tenderer either at the time of opening of tenders or after the invitation offer, another invitation offer will be made to the tenderer who had quoted identical rates. Thereafter tenders may be recommended in favour of the tenderer who quoted the lowest rates.
- In cases where the recommendations of the Panel of officers are not unanimous, contracts may be sanctioned in terms of Para 240 FR Pt. I by the appropriate CFA.

Re-tender

15. In case CFA empowered to order re-tendering agrees with the recommendations of the Panel of officers and intermediate CFA recommending re-tendering, he may do so without reference to any one else.

In case the recommendations of the panel of officers are not unanimous, the CFA will take final decision regarding the contract in accordance with para 240 of FR Part I. However, in case of difference of opinion between the recommendations of the panel of officers and the CFA, the decision will be taken by the next higher CHA. Reasons for going against the recommendations of the Panel of officers and the intermediary CFAs in both the above mentioned contingencies will invariably be recorded in writing and attached to the CST.

In case, however, the panel of officers are not unanimous in their recommendations and the recommendations of the intermediate CFA is at variance, the higher CFA may disregard the recommendations of the Panel of officers and intermediary CFA and order re-tendering. Reasons for ordering such re-tendering will be recorded in writing and attached to the CST.

In cases where the recommendations of the Panel of officers are not unanimous and the recommendations of the intermediary CFA is at variance, then the higher CFA may advise their appropriate CFA to sanction the contracts at the rates obtained.

Combining of Contracts

16. In order to ensure smooth running of contracts and procure better quality of fresh supplies combining of contracts may be done by contract concluding officers. It would be advisable to combine contract of items of same species such as meat, MOH, fish, eggs, poultry or potatoes and onions or firewood/charcoal/lime quick or milk and butter. Contract concluding officers may decide this aspect keeping in mind economy, administration, ease of operation, strength of troops and estimated requirement for a particular station. MGASC Command will accord approval for combining of contracts based on the above facts.

Extension of Contracts

17. Contracts will not normally be extended beyond the period for which they have been sanctioned. However, in case when reasonable

rates have not been achieved in the open tendering despite best efforts by Contract concluding authorities, the existing contracts may be extended with the consent of the Contractor(s) at the same terms and conditions upto a maximum period of 3 months.

Financial Powers for sanctioning contracts

18. Revised Financial Powers along with the details of Executive Officers and sanctioning authority are given in Govt. of India, Ministry of Defence No. A/89591/FP-1/1974/2006/D (GS-I) 26 July 2006 (See Volume One).

19. Central Purchase Articles – Contracts for these articles are made for the QMG by the Chief Director of Purchase, Ministry of Defence.

Note – In case of emergency, such articles may be purchased locally in accordance with standing orders but all such purchases (which should be made only to the extent necessary to meet immediate requirements) together with rates and full reasons should be reported to the DGST monthly.

The MGASC Command or DDST Area, acting under the orders of the GOC-in-Chief Command or Area Commander, will consider as necessary the various local purchase supplies for which it is desirable to make contract and decide in consultation with the IFA/CDA.

20. Contracts with State/Central Govt. sponsored Bodies and Cooperative Societies

- Negotiated contracts with State level PSUs/Cooperative societies in which State Govts have some equity may be concluded with prior approval of the Govt.
- Price preference subject to maximum 10% may be afforded to Central Govt./State Govt. undertakings only in terms of Bureau of Public Enterprises letter No. GL-008/80/23-1/BPE/MM dated 15/10/80 as amended from time to time. The price preference may be given based on the lowest rates achieved in the open tendering/ invitational offer. The price preference as stated above is not available to Co-operative Societies. However, before any price preference is accorded local military authorities will satisfy themselves that the Central/State Govt. undertakings are partly or wholly financed by the Centre/State Govt. Local

military authorities will also satisfy themselves about the genuineness of Co-operative societies primarily being of growers and breeders before allowing any facility or preferences to them and also check the availability of adequate infrastructure for operation of the contracts. A careful watch must be kept of contractors forming such societies to obtain for themselves undue benefits.

- In respect of Military Farm Milk Contracts a copy of the call Notice will invariably be sent to local or nearby Govt. Milk Scheme or Co-operative Milk Federations by Registered Post. Their response if any given on proper Tender Form will be processed in normal manner along with other Tenders.

Periodicity of ASC Contracts for Fresh Supplies

21. All contracts for fresh supplies will be concluded for duration of one year only. Commencement date of Contracts will be as under:

- Contracts relating to meat, poultry, eggs, fish onions, potatoes, garlic, firewood, charcoal, lime quick and combined items will be finalized to commence from 1st April each year.
- Vegetables, fruits, milk, bread and green grass/fodder will be finalized to commence from 1st October each year. In case of 14 and 15 Corps Sector and hill stations of all commands to be nominated by respective GOC-in-Cs, these contracts will be finalized to commence from 1st April each year as was being done hither-to-fore.
- Date of commencement of contracts relating to ice, mineral water and any other perishable ASC items will be at the discretion of the concerned CFA. Suggested periodicity October to September.
- In respect of Military Farm Contracts, all contracts for supply of Milk and Cream will normally be concluded for duration of one year. In exceptional cases contract for duration of 3 years can be sanctioned for Farms in Eastern Command and Northern Command with prior permission of QMG in each specific case as provided in Rule 246 (I) of FR Part I. The period of milk contracts should preferably start from 1st October each year.

Essential Guidelines

22. In the light of the above the following guidelines are laid down:

General

- (a) The proposals for conclusion of contracts should be initiated on regular files and should contain all relevant details and data to enable their meaningful examination and further processing by the IFA. The IFA is free to call for any additional data/information relevant to the proposal and these should be provided to him. The financial concurrence/ remarks/ comments will be recorded in writing.

“As per AHQ letter No.B/52816/ST5 dt 10.4.97, the following data will be provided one week prior to opening of tenders to IFA/CDA’s rep to enable him to make meaningful contribution in the deliberations of panel.”

- List of stations & items with period for which contracts will be concluded.
 - Last 3 years contract rates.
 - Scheduled quantity & quantity contracted during last 3 years.
 - ALMR for last 3 years.
 - Peculiarity of station.
 - Whole price index, All India Average Weighted rates.
- (b) In as much as the ASC Contracts are for supply of basic daily rations to the troops it has to be kept in view that it is essential to ensure continuity of supplies and non conclusion or delay in conclusion of contracts may, not only lead to disruption and dislocation of supplies with the attendant complications but also result in avoidable extra expenditure to Govt. through local purchases. There is therefore, not only great urgency for these cases to be examined and dealt with, with all care and caution to safeguard the interest of troops and the financial interests of Govt. at the same time.
- © It is absolutely essential that all officers deputed to represent the IFA/CDA on the Panel of Officers are fully conversant with each one of the provisions in the ASC Contract Procedure including those at Para 4 above and also the relative basic provisions contained in the relevant chapter (chapter on contracts) of FR Part I, their import, application, implications etc. so that their functioning on the Panel becomes effective and meaningful to achieve the objective jointly with the executive/administrative authorities.

- (d) In as much as every detail of action to be taken and the procedure to be followed in a given situation has been spelt out in clear terms in the Contract Procedure the role and functions of rep. of CDA/IFA will be essentially to ensure that each one of these as relevant and applicable has been fulfilled and complied with.
- (e) The role and functions of the IFA/CDA Rep on the Panel commences from the stage of fixation of `Reasonable Rate' right up to the sanctioning of contract by the CFA. In some cases it may become necessary for him to take a decision jointly with the other members on the Panel on the question whether or not to reckon/consider a tender not accompanied or accompanied by insufficient Earnest Money.
- (f) As the conclusion of ASC Contracts for fresh items is a continuing process and such contracts are being concluded year after year, proposals and processing them for sanction/conclusion should not create any insurmountable problems for IFA/CDA Rep except, to some extent in cases where a contract is proposed for the first time in the station.

Specifics

Notwithstanding the above mentioned points/position the following guidelines/check points which are more specific are laid down:

- Whether a comprehensive plan for opening of tenders at different formation HQrs. was drawn by MG ASC Command well in advance and intimated to all concerned including CDA as prescribed in Government letters?
- What is the contract for, what is the period and value, who is the CFA?
- How does the quantities and the scope of the contract compare with the immediately preceding one, are there wide variations if so what are the reasons; is it due to increase/decrease in feeding strength?
- Has the approximate requirements been estimated on the basis of laid down parameters?
- Has the estimated value of contract been arrived at on the lines prescribed?

- In case of meat group items' the option/combination of Meat dsd and Fowl dsd has been proposed. Keeping in view the govt. orders and while recommending the proposed option, it is to be ensured that it is the most economical option.
- The prevailing wholesale rates may be ascertained from newspapers, magazines, internet while the LAO may asked to provide the market retail rates.
- Has the Average Local Market Rate been obtained and are they realistic and reflect market trends?
- Are the MR cells functioning and are they forwarding to the CDA/IFA these rates supported by documents and authentic sources of information; have these been examined in IFA/CDA office and commented upon and have these been finally accepted. These are important because this is a vital input to fix reasonable rates.
- Are all the tenders received and proposed for consideration accompanied by sufficient and adequate quantum of Earnest Money? Cases of tenders unaccompanied by Earnest or accompanied by insufficient Earnest Money should be examined and decided upon by the Panel of Officers, in the interest of Govt. on the lines indicated in the Contract Procedure.
- Has open tender system been adopted and all requirements like notices, publicity, minimum time to be given to Tenderers etc. as laid down in the contract procedure been followed in letter and spirit?
- Whether there is adequate response and competition as revealed by the no. of tender forms issued and completed tender forms received back; the position could be compared with the position in the previous contract?
- Are any monopolistic tendencies apparent particularly in respect of high value contracts and meat contracts by a review of position during the last 2 – 3 years. If yes what action has been taken or proposed to generate more healthy competition?
- Whether formation of any ring between tenderers suspected?

- Are the tenderers all Registered Contractors, if some of the tenderers are not, procedure as laid for registering them should be followed?
- How many tenders have been rejected and are the reasons for rejection proper and valid?
- Whether the Reasonable Rates for the various items have been fixed as per the norms laid down in the Contract Procedure; was the data furnished by the executive agreeing with those as per the Data Bank information available in IFA/CDA office, were any variations noticed and what are the reasons, was data relating to ALMR available in the Data Bank?
- Were the Reasonable Rates fixed by Panel of officers unanimous, was there any area of divergence and how this was to be sorted out?
- Are there any unusual or abnormal features affecting fixation of RR, what are they and how to deal with them and what is the weightage to be given and why?
- Has the CST been prepared on the lines given in the Contract Procedure and is it complete in all respects and contains all the details as laid down therein?
- Has the Panel of Officers been constituted as per Contract Procedure for ASC and Military Farm Contracts including rank structure?
- The deliberations and recommendations of the Panel should be on the lines indicated in the Contract Procedure.
- If there is divergence in the Panel in regard to recommendations specific reasons and factors contributing thereto should be identified?
- In such cases the CFA's final decision should be seen along with the reasons or basis for that decision.
- In cases where CFA over rules the recommendations in terms of Rule 240 FR Part I, reasons for the decision should be obtained and such cases should be reported to the IFA/CDA for further action as deemed fit.

- Whether re-tendering wherever ordered is with the sanction of the appropriate higher CFA as per the Procedure and for valid reasons and after a due deliberations of the risks involved in re-tendering and after full appreciation of the same?
- It is also to be ensured that re-tendering wherever ordered is strictly as per the norms and procedure.
- Whether the duration of the proposed contract is one year; if it is for less than one year and what are the reasons and are they genuine and acceptable and whether sanction of the appropriate CFA has been obtained for conclusion of contracts for less than 1 year, as per the provisions of FR Part I?
- Is the norm adopted for converting ALMR into wholesale rates by applying depression factor (minimum 30%) considered adequate and reasonable in the circumstances?

Procedure for ASC Contracts for Perishable Items

Vide Government of India, Ministry of Defence letter No. PC/RAKSHA/63060/Q/ST5/3633/D(QS) dated 26 Sep 2006, sanction of the president to the adoption of revised procedure for conclusion of ASC contracts for perishable items had been given. This letter has been now superceded by the GOI, MOD letter dated 26 September 2006.

This procedure is laid down in following two parts;

- **Part-I** – Registration, Removal, Banning, Suspension of ASC contractors.
- **Part-II**- Conclusion of ASC contracts

Part-I

Registration, Removal, Banning, Suspension of ASC Contractors

(1) Procedure for Registration of Contractors

(a) Perishables and other items, required for consumption by troops and to be supplied by ASC will be procured from registered ASC Contractors. Any person being a citizen of India, who wishes to supply articles of ASC may apply to DADST/ADST Sub Area/OC ASC Bn/DDST Corps/DDST Area or MGASC Command on a plain paper expressing his willingness to be registered as an ASC Contractor.

(b) Advertisements will be inserted periodically in local newspapers on Command/Area basis. Advertisement will be sent to Director of Advertisement and Visual Publicity, Min of I&B, GOI. A similar advertisement will also be sent to Indian trade Journal for publication.

These advertisement will be published once a year, preferably during months of November/December.

(c) (i) On receipt of an application for being considered as an approved ASC contractor the authorities mentioned in para 3 above, will forward all documents received from the contractor (s) to DDST of the Corps/Area where the contractor (s) desires registration, for further processing under intimation to the concerned contractor (s).

(ii) On receipt of an application for registration, DDST Corps/Area, ADST Indep Sub Area will within a fortnight, state

in writing if he has any objections for registering the applicant and if so, specify the reasons for objections.

(iii) On receipt of application, the MGASC will check name of the contractors/firms with list of banned/suspended contractors maintained by him, whether the applicant has already been banned/suspended to do business.

(iv) If so he will not be considered for registration. In all such cases a reply will be send to the firms.

(d) In case application for registration is received by more than one authorities, the process of verification will be undertaken by the DDST of the concerned Corps/Area only.

(e) If the applicant's reply is complete, following action will be taken.

(i) Make enquiries from Civil authorities and police regarding character, financial status and reliability.

(ii) Make enquiry from bankers and Income Tax Officers regarding the genuineness of the certificate furnished by the applicant.

(iii) Obtain wealth Tax return and obtain declaration from the prospective contractor on affidavit to be registered with the oath Commissioner that when ever they choose to dispose of their assets they will immediately inform the registering authority.

(2) Requisites for Registration

(a) (i) Every precaution should be taken to ensure that only reliable firms are registered as ASC contractors

(ii) The names of firms will be placed on the approved list only when they produce the latest IT clearance certificate.

(b) In case where bankers report is vague, the contract carrying capacity will be fixed by the MGASC.

Contractors may be registered for one or more of the following items:-

- (a) Meat dsd
- (b) MOH
- (c) Fish
- (d) Chicken
- (e) Eggs
- (f) Poultry
- (g) Potatoes
- (h) Onion
- (j) Vegetable fresh
- (k) Fruit fresh
- (l) Firewood all types
- (m) Lime quick
- (n) Charcoal
- (o) Ice (MM)
- (p) Mineral/Aerated Water
- (q) Milk
- (r) Butter
- (s) Bread
- t) Any other articles/services not included in the above and which is the responsibility of ASC to supply/provide.

- (c) (i) Contractors will be registered only for those items in which they are genuinely interested and in which they have been dealing in their normal course of profession and show some expertise Contractors may be registered for one or more.

(ii) Henceforth, registration of contractors will not be restricted to any station/stations i.e. a contractor registered for a particular item (s) in a Command, will be free to quote for that item(s) in any station(s) of that Command.

(3) Contract Carrying Capacity

The contract carrying capacity of contractors will be fixed on the actual amount a contractor is capable of investing in business in ASC contracts. The contracts carrying capacity will be decided by multiplying 24 times the amount which the contractor is capable of investing in ASC contracts.

Categories viz Class 'A', Class 'B' and Class 'C' are given below:-

(a) **Class 'A' contractors:** contract carrying capacity of these contractors would be above Rs.7.20 crores.

(b) **Class 'B' Contractors:** contract carrying capacity of these contractors will be above Rs. 2.40 crores and upto Rs.7.20 crores.

(c) **Class 'C' Contractors:** contract carrying capacity of these contractors will be upto Rs. 2.40 crores.

(4) **Approved list of ASC Contracts**

(a) MGASC will maintain an up to date list of approved ASC Contractors within his Command. In addition to the Approved list of ASC Contractors' following lists will also be maintained by the officers concerned.

(i) An alphabetical list

(ii) Item-wise list of contractors

(b) A consolidated list of approved ASC contractors will be sent to Army HQ each year by all MGs ASC Commands so as to reach by 1st January of each year.

(5) **Performance of Contractors**

A proper record of the performance of each contractor will be maintained by executive officer.

(6) **Transfer of Contract Carrying Capacity**

In case a contractor applied for registration in more than one Command, the following procedure would be followed:

(a) Parent MG ASC where the contractor is initially registered, will entertain request for transfer of capacity to another Command (s) only when he has seen the contractor's performance for at least one year in his Command.

(b) When a contractor has shown satisfactory performance of the last

one year and wishes to get upto 50% of his capacity transferred, he will be allowed to do so.

(c) Before transferring the contract carrying capacity of contractor to other Command the parent MG ASC will obtain a certificate from the contractor that he is genuinely interested in competing for the items for which he has applied and indicate the capacity which he wishes to get transferred to other Command.

(d) The option regarding quantum of contract carrying capacity once exercised would be final.

(e) Each time the contract capacity is transferred from one command to the other, Army HQr will be kept informed.

(7) **Review of Approved List and Re-verification of Registered Contractors**

(a) The approved list will be reviewed by the officer maintaining the same at least once a year.

(b) Re-verification of registered contractors will be carried out every five years.

(8) **Issue of Tenders**

(a) An approved contractor may be issued with tenders as desired, the individual value of which does not exceed his contract carrying capacity.

(b) In case, however, the CFA is of the view that exceeding contract carrying capacity is in public interest, contractor be allowed to exceed upto 25% of the ceiling limit.

(c) In cases where contractor is operating a contract, his contract carrying capacity would be his total capacity less the value of the contract, which will remain operative even after the conclusion of fresh contracts.

(9) **Provisional Tenders**

A person not yet admitted to the 'Register of Approved Contractors' who has submitted an application for registration may be given tender forms

but only on the agreed condition that such tender will not be considered unless the applicant has actually been registered before the opening of tenders.

(10) Removal of Contractors from the Approved List of Contractors

MGASC Command is also be competent to order the removal of a firm from the list of approved suppliers. Removal of a firm from the list of approved suppliers.

(11) Reason for removal:- Following important grounds among other things are relevant:

- (a) fails or neglect to quote in response to two consecutive years.
- (b) fails to secure a contract during a period of three consecutive years.
- (c) fails to execute a contract.
- (d) Obtains tender forms but does not participate in the tender.
- (e) is declared bankrupt or insolvent.

(12) Procedure for removal of a contractor

A 'show-cause' notice will be served asking him/her/them to explain as to why the proposed action should not be taken. It will however, be made clear in the order for removal that it is open to the firm/contractor to tender as an unregistered firm/contractor.

(13) Re-instatement 'Removed' Contractors

In no case, however, the reinstatement shall be effected within two years from the date of firm's/contractor's removal from their approved list.

(14) Banning of ASC Contractors:

- (a) Banning by one Ministry including its attached and subordinate offices.
- (b) Banning by all Ministries including their attached and subordinate offices.

(15) Grounds on which banning may be ordered. (a) Security reason (b) convicted by a court (c) malpractice by the firm (d) continuously refusal.

(16) Banning by MOD

- (a) An order for banning business dealings with an ASC contractor shall be passed by MOD.
- (b) It shall be passed for a specific period.
- (c) It shall be extended to the allied firms also.
- (d) It shall not be circulated to other Ministries/Departments.
- (e) An order for banning on a/c of doubtful integrity will be issued only after consultation with Min of Home Affairs

(17) Banning by all Ministries

- (a) Banning of firm by all Ministries including their attached and subordinate offices and the revocation thereof shall be ordered by the Department of Supply.
- (b) The Corps/Area/Div/Indep Sub Area/Sub Area Commander, after satisfying that a firm should be banned, will submit his recommendations to the HQrs Command.

(18) Suspension of Business with contractor

- (a) Suspension of business may be ordered where pending full enquiry into the allegations it is not considered desirable by the competent authority that business with the firm should continue.
- (b) An order of suspension on a/c of doubtful integrity and loyalty shall be passed by the department of supply in consultation with Min. of Home Affairs and will be communicated to HQ Commands by the HQ AG's Branch (AG Coord).

(29) Revocation of orders

An order for banning/suspension passed for a certain specific period shall be deemed to have been automatically revoked on the expiry of that specified period.

Part-II

CONCLUSION OF CONTRACTS ACTION BEFORE RECEIPT OF TENDERS

- (1) Advertisement will be issued in r/o each contract whose value exceed Rs.20 lakhs in two National Newspapers and two regional newspapers. The advertisement will be published 4 weeks in advance.

(a) **Working of Approximate Requirements:** The requirements may be worked out on the following basis.

- (i) Present actual feeding strength x scale x period = 'A' quantity.
- (ii) Average quantity actually drawn during the last three years = 'B' quantity.
- (iii) Quantity required based on the anticipated increase/decrease in the strength during the currency of the contract less quantity to be obtained from soldier's garden produce and unit Dairies = 'C' quantity.

Options: to be decided by the CFA based on choice of troops for the Meat Group of items before floating of tender notice:-

- Option A: 7 days meat a week
- Option B: 5 days meat and 2 days Chicken
- Option C: 4 days meat and 3 days Chicken
- Option D: 3 days meat and 4 days Chicken
- Option E: 2 days meat and 5 days Chicken

The option 'B' to 'E' will be adopted only in case none of the options is costlier than the option 'A'.

(2) **Estimated Value of the Proposed Contracts**

This will be worked out on the basis of approximate requirement of the item(s) at the average local market rates of the previous year.

(3) **Tender Fee**

A uniform tender fee of Rs.100/- will be levied for each set of tender.

The tender fee will not be charged from Govt Deptt Like Farms, Forests, Jails etc.

(4) **Earnest Money**

The amount of earnest money will be worked out at one percent of total value of the contract at current contract rates and it should be rounded off to nearest hundred.

(5) **Tenders unaccompanied by Earnest**

Money will be entered in the CST separately by Board of Officers opening the tenders. The decision to reject or to accept such tenders will be taken by the panel of officers consisting of the Rep of ASC, IFA and CFA concerned.

(6) **Rate Pattern for Contracts and Determination of Reasonable Rates:** The following data will be used for determining RRs.

(a) Average of contract rates of last 3 years and average inflation during the last 2 years on the basis of wholesale price indices published by Ministry of Industries.

(b) Average of retail rates of particular stations or for nearby stations of last 12 months reduced by a pre-determined depression factor for converting retail rates into whole sale rate.

(7) The reasonable rates to be arrived at will be in terms of the actual cost in case of meat items and in terms of percentage increase/ decrease over the CCR in case of all other items. To maintain sanctity of the rates the panel of officers will work out reasonable rates on the same date and time when the tenders for those items/stations are being opened. Normally RR once fixed will not be revised. However, if revision of RR has to be done because of unavoidable reasons, detailed justification will be given in the panel proceedings.

(8) **Level of Processing**

- (a) QMG Contracts - MGASC Command.
- (b) GOC-in-C Contracts - MGASC Command.
- (c) GOC Corps Contracts - DDST Corps.
- (d) GOC Div- Contracts – OC ASC Bn.
- (e) Area/Indep Sub - DDST Area/DDST Ind.
Area Cdr Sub Area.
- (f) Sub Area Cdr - ADST/DADST

(9) **Comparative Statement of Tenders:** Following information will be shown on the CST:-

- (a) Details of services/supplies tendered for
- (b) Approximate requirement stated in the schedule
- (c) Average wholesale market rates for last three corresponding years.

- (d) Reasonable rates arrived at by the panel of officers will be entered in the column 'periodic vocabulary Rates' on the existing CSTs.
- (e) Rates quoted by different tenderers serial wise.
- (f) Estimated Cost.
- (g) Each CST will be complete document in itself.

(10) Composition of Panel of Officers

For the tenders pertaining to ASC contracts after having been opened by the Station Board of Officers, the composition of the panel of officers will be as under:-

- (a) Executive officer as specified by sanctioning authority.
- (b) Rep of Formation Commander
- (c) Rep of IFA

(11) Rank structure of the panel of officers

(a) Contracts at Command HQrs

- (i) Executive Officer: MG ASC
- (ii) Rep of Formation Cdr. Not below the rank of Maj Gen
- (iii) Rep of CDA/IFA Not below the rank of ACDA/Dy IFA

(b) Contract at Div/Area/Corps HQrs

- (i) Executive Officer DDST Corps/DDST Ind Area/
OC ASC Bn
- (ii) Rep of formation Cdr. Not below the rank of Brig/Col
- (iii) Rep of CDA Not below the rank of ACDA/Dy IFA

(c) Contracts at Sub Area HQrs

- (I) Executive Officer ADST/DADST
- (ii) Rep of formation Cdr. Not below the rank of Lt Col
- (iii) Rep of CDA Not below the rank of ACDA/Dy IFA

(12) Action by Panel of Officers

(a) The Panel of Officers mentioned above will be responsible to examine the tendered rates in hand in relation to the RR.

(b) If LTR is higher than RR, an invitation offer should be made only to the lowest tenderer by calling him for negotiations with panel of officers. The panel should obtain the tenders revised rates in writing. If the revised rate is still higher than RR, the panel may consider

recommending the rates for acceptance, if the difference is marginal. Otherwise, the panel should recommend re-tendering.

(c) In case rates quoted are lower than 20% of RR the same will be treated as fictitious and rejected by panel of officers.

(13) Re-tender

In case of CFA empowered to order re-tendering agrees with the recommendation of the panel of officers and intermediary CFA, recommending re-tendering, he may do so without reference to any one else. However, reasons for going against the recommendations of the panel of officers and the intermediary CFAs will invariably be recorded in writing and attached to the CST.

(14) Combining of Contracts

It would be advisable to combine contracts of items of same species such as meat, MOH, fish, eggs, poultry or potatoes, onion etc. to save economy. MG ASC Command will accord approval for combining of contracts based on the above facts.

(15) Extension of Contracts

Contracts will not normally be extended beyond the period for which they have been sanctioned. However, in exceptional cases contracts may be extended with the consent of the contractor(s) at the same terms and conditions upto a maximum period of 3 months.

(16) Periodicity ASC Contracts for fresh supplies

All contracts for fresh supplies will be concluded for duration of 1 Year only. Commencement date of contracts will be as under:-

(a) Contracts relating to Meat, Eggs, etc.& Potatoes, Onion, Garlic, Firewood, Charcoal, Lime quick and combined items will be finalized to commence from 01 Apr each year.

(b) Vegetables, Fruits, Milk, Bread and green grass/fodder will be finalized to commence from 01 October each year.

(C) Date of commencement of contracts relating to ice, mineral water and any other perishable ASC items will be at the discretion of concerned of CFA.

Conclusion of Civil Hired Transport Contract

Part-I

REGISTRATION, REMOVAL, BANNING, SUSPENSION OF CHT CONTRACTORS

(1) Procedure for Registration of Contractors

(a) Any person, being a citizen of India, who wishes to supply CHT may apply to particular ADST Sub Area/OC ASC Bn/DDST Corps/DDST Area or MGASC Command on their firm's pad expressing his willingness to be registered as CHT Contractor.

(b) This is divided in following parts;

- Part-I – Registration, Removal, Banning, Suspension of CHT contractors.
- Part-II- Conclusion of CHT contracts
- Part III-Adhoc Hiring of Civil Transport.
- Part IV-Documentation.
- Part V-Impressments of Civil Transport.

Advertisement will be sent to Director of Advertisement and Visual Publicity, Min of I&B, GOI. Advertisement will also sent annually in local newspapers on Comd/Area basis giving types of CHT contracts concluded in that command/Area. A similar advertisement will also be sent to Indian trade Journal for publication. This advertisement will be published once a year, preferably during months of Nov./Dec.

(C) (i) On receipt of an application for being considered as an approved CHT contractor, all documents received from the contractor (s) will be sent to DDST of the Corps/Area where the contractor(s) desires registration, for further processing under intimation to the concerned contractor (s).

(ii) On receipt of an application for registration, DDST Corps/Area, ADST Indep Sub Area will within a fortnight, state in writing if he has any objections for registering the applicant and if so, specify the reasons for objections.

(iii) On receipt of application, the MGASC will check name of the contractors/firms with list of banned/suspended contractors maintained by him, whether the applicant has already been banned/suspended to do business.

(iv) If so he will not be considered for registration. In all such cases a reply will be send to the firms.

(d) In case application for registration is received by more than one authority mentioned in para 3 above, the process of verification will be undertaken by the DDST of the concerned Corps/Area only.

(e) If the applicant's reply is complete, following action will be taken.

(i) Make enquiries from Civil authorities and police regarding character, financial status and reliability.

(ii) Make enquiry from bankers, Income Tax Officers regarding the genuineness of the certificate furnished by the applicant.

(iii) Obtain wealth Tax return and obtain declaration from the prospective contractor on affidavit to be registered with the oath Commissioner that when ever they choose to dispose of their assets they will immediately inform the registering authority.

(2) Requisites for Registration

(a) (i) Every precaution should be taken to ensure that only reliable firms are registered as CHT contractors

(ii) The names of firms will be placed on the approved list only when they produce the latest IT clearance certificate.

(b) In case where bankers report is vague, the contract carrying capacity will be fixed by the MGASC.

(c) Contractors will be registered only for those types of vehicles in which they are genuinely interested and in which they have been dealing in their normal course of profession and show some expertise. Contractors may be registered for one or more of the following types of vehicles:

- (d) (i) Load carrying vehicles -HCV, LCV, Trailers
- (ii) Personnel carrying vehicles - Buses
- (iii) Light vehicles
- (iv) Specialist vehicles – JCB, Tipper, Water Bower, Ambulance

(3) Contract Carrying Capacity

The contract carrying capacity of contractors will be fixed on the actual amount a contractor is capable of investing in business in contracts for supply of vehicles. The contracts carrying capacity will be decided by multiplying 24 times the amount which the contractor is capable of investing in ASC contracts.

Categories viz class 'A', Class'B'

- (a) **Class 'A' contractors:** contract carrying capacity Rs. 5 Crores and above.
- (b) **Class 'B' Contractors:** contract carrying capacity of these contractors will be below Rs 5 Crores

(4) Approved list of ASC CHT Contractors

- (a) MGASC will maintain an up to date list of approved ASC Contractors within his Command. In addition to the Approved list of ASC CHT Contractors, following lists will also be maintained by the officers concerned.
 - (i) An alphabetical list
 - (ii) Item-wise list of contractors
- (b) A consolidated list of approved ASC CHT contractors will be sent to Army HQ each year by all MGs ASC Commands so as to reach by 1st Jan of each year.

(5) **Performance of Contractors:** A proper record of the performance of each contractor will be maintained by DDST's/MG ASC.

(6) Transfer of Contract Carrying Capacity

In case a contractor applied for registration in more than one Command, the following procedure would be followed:

(a) Parent MG ASC where the contractor is initially registered, will entertain request for transfer of capacity to another Command(s) only when he has seen the contractor's performance for at least one year in his Command.

(b) When a contractor has shown satisfactory performance of the last one year and wishes to get upto 50% of his capacity transferred, he will be allowed to do so.

(c) Before transferring the contract carrying capacity of contractor to other Command the parent MG ASC will obtain a certificate from the contractor that he is genuinely interested in competing for the items for which he has applied and indicate the capacity which he wishes to get transferred to other Command.

(d) The option regarding quantum of contract carrying capacity one exercised would be final

(e) Each time the contract capacity is transferred from one command to the other, Army HQr will be kept informed.

(7) Review of Approved List and Re-verification of Registered Contractors

(a) The approved list will be reviewed by MG ASC at least once a year.
(b) Re-verification of registered contractors will be carried out every five years.

(8) Issue of Tenders

(a) An approved contractor may be issued with tenders as desired, the individual value of which does not exceed his contract carrying capacity.

(b) In case, however, the CFA is of the view that exceeding contract carrying capacity is in public interest, contractor be allowed to exceed upto 25% of the ceiling limit.

(c) In cases where contractor is operating a contract, his contract carrying capacity would be his total capacity less the value of the contract which will remain operative even after the conclusion of fresh contracts.

(9) **Provisional Tenders**

A person not yet admitted to the 'Registered of Approved Contractors' who has submitted an application for registration may be given tender forms but only on the agreed condition that such tender will not be considered unless the applicant has actually been registered before the opening of tenders.

(10) **Removal of Contractors from the Approved List of Contractors**

MGASC Command is also be competent to order the removal of a firm from the list of approved suppliers.

(11) **Reason for removal**

If a firm(s) fails or neglect to quote in response to four consecutive invitations to tender or during a period of two years whichever is less (b) fails to secure a contract after six successive tenders or during a period of three years whichever is less (c) fails to execute a contract (d) fails to furnish IT clearance (e) is declared bankrupt.

(12) **Procedure for removal of a contractor**

A 'show-cause' notice will be served asking him/her/them to explain as to why the proposed action should not be taken.

(13) **Re-instatement 'Removed' Contractors**

In no case, however, the reinstatement shall be effected within two years from the date of firm's/contractor's removal from their approved list.

(14) **Banning of ASC CHT Contractors**

(a) Banning by one Ministry including its attached and subordinate offices.

(b) Banning by all Ministries including their attached and subordinate offices.

(15) **Grounds on which banning** may be ordered. (a) Security reason (b) convicted by a court (c) malpractice by the firm (d) continuously refusal.

Banning by MOD:-

- (a) An order for banning business dealings with an ASC CHT contractor shall be passed by MOD.
- (b) It shall be passed for a specific period.
- (c) It shall be extended to the allied firms also
- (d) It shall not be circulated to other Ministries/Departments.
- (e) An order for banning on a/c of doubtful integrity will be issued only after consultation with Min. of Home Affairs

(16) Banning by all Ministries

- (a) Banning of firm by all Ministries including their attached and subordinate offices and the revocation there of shall be ordered by the Min of Defence.
- (b) The Corps/Area/Div/Indep Sub Area/Sub Area Commander, after satisfying that a firm should be banned, will submit his recommendations to HQrs Command.

(17) Suspension of Business with contractor

- (a) Suspension of business may be ordered where pending full enquiry into the allegations it is not considered desirable by the competent authority that business with the firm should continue.
- (b) An order of suspension on a/c of doubtful integrity and loyalty shall be passed by the department of supply in consultation with Min. of Home Affairs and will be communicated to HQ Commands by this HQ AG's Branch (AG Coord).

(18) Revocation of orders

An order for banning/suspension passed for a certain specific period shall be deemed to have been automatically revoked on the expiry of that specified period.

Part-II

CONCLUSION OF CONTRACTS ACTION BEFORE RECEIPT OF TENDERS

(1) Advertisement will be issued in r/o each contract in two National Newspapers and two regional newspapers. The advertisement will be published 30 days advance.

(a) Working of Approximate Requirements;- The requirements may be worked out on the following basis.

(i) Average of the requirement of each types of vehicles during the last three years.

(ii) Anticipated requirement of each type of vehicle for the period for contract

(iii) Due allowance will also be made for any other factors which may effect future requirement of CHT such as shortage of service transport, induction/deinduction of units/formations etc.

(2) Estimated Value of the Proposed Contracts

This will be worked out on the basis of approximate requirement of the vehicles at the current contract.

(3) Tender Fee

A uniform tender fee of Rs.100/- will be levied for each set of tender. The tender fee will not be charged from Govt. Deptt.

(4) Earnest Money

The amount of earnest money will be worked out at one percent of total value of the contract at current contract rates and it should be rounded off to nearest hundred.

(5) Rate Pattern for Contracts and Determination of Reasonable Rates

The following data will be used for determining RRs.

(a) Average of contract rates of last 3 years and average inflation during the last 2 years on the basis of wholesale price indices published by Ministry of Industries.

(b) Average of local market rates for particular stations or for nearby stations of last 12 months.

(6) The reasonable rates to be arrived at will be in absolute terms. To maintain sanctity of the rates the panel of officers will work out reasonable rates on the same date and time when the tenders for those items/stations are being opened. Normally RR once fixed will not be revised. However, if revision of RR has to be done because of unavoidable reasons, detailed justification will be given in the panel proceedings.

(7) **Level of Processing**

- (a) QMG Contracts - MGASC Command.
- (b) GOC-in-C Contracts -MGASC Command.
- (c) GOC Corps Contracts - DDST Corps.
- (d) GOC Div Contracts – OC ASC Bn.
- (e) Area/Indep Sub - DDST Area/DDST Ind.
Area Cdr. Sub Area.

(8) **Comparative Statement of Tenders:** Following information will be shown on the CST:

- (a) Details of type of vehicles tendered for
- (b) Approximate requirement stated in the schedule
- (c) Average e market rates for last one years.
- (d) CCR of last three years will be entered in the column periodic vocabulary Rates' on the CSTs.
- (e) Rates quoted by different tenderers serial wise.
- (f) Estimated Cost.
- (g) Each CST will be complete document in itself.

(9) **Composition of Panel of Officers**

The tenders pertaining to CHT contracts after having been opened by the Station Board of Officers. The composition of the panel of officers will be as under:

- (a) Executive officer as specified by sanctioning authority.
- (b) Rep of Formation Commander
- (c) Rep of IFA/CDA

(10) **Rank structure of the panel of officers**

(a) **Contracts at Command HQrs**

- (i) Executive Officer: MG ASC
- (ii) Rep of Formation Cdr. Not below the rank of Maj Gen
- (iii) Rep of CDA/IFA Not below the rank of ACDA/Dy IFA

(b) **Contract at Div/Area/Corps HQrs**

- (i) Executive Officer DDST Corps/DDST Ind Area/
OC ASC Bn
- (ii) Rep of formation Cdr. Not below the rank of Brig/Col
- (iii) Rep of CDA Not below the rank of ACDA/Dy IFA

(c) **Contracts at Sub Area HQrs**

- (i) Executive Officer ADST/DADST
- (ii) Rep of formation Cdr. Not below the rank of Lt Col
- (iii) Rep of CDA Not below the rank of ACDA/Dy IFA

(11) **Action by Panel of Officers**

(a) The Panel of Officers mentioned above will be responsible to examine the tendered rates in hand in relation to the RR.

(b) If LTR is higher than RR, an invitation offer should be made only to the lowest tenderers by calling him for negotiations with panel of officers. The panel should obtain the tenders revised rates in writing. If the revised rate is still higher than RR, the panel may consider recommending the rates for acceptance, if the difference is marginal. Otherwise, the panel should recommend re-tendering.

(c) In case rates quoted are lower than 20% of RR the same will be treated as fictitious and rejected by panel of officers.

(12) **Re-tender**

In case of CFA empowered to order re-tendering agrees with the recommendation of the panel of officers and intermediary CFA, recommending re-tendering, he may do so without reference to any one else. However, reasons for going against the recommendations of the panel of officers and the intermediary CFAs will invariably be recorded in writing and attached to the CST.

(13) **Combining of Contracts**

In order to ensure smooth running of contracts and procure better quality of transport, combining of contracts may be done.

(14) Extension of Contracts

Contracts will not normally be extended beyond the period for which they have been sanctioned. However, in exceptional cases contracts may be extended with the consent of the contractor(s) at the same terms and conditions upto a maximum period of 3 months.

(15) Periodicity of CHT Contracts

All contracts for CHT will be concluded for duration of 1 Year only. The same would normally commence wef 01 April every year/date of sanction contract till 31 Mar of next year.

**IMPLEMENTATION OF FINANCIAL MANAGEMENT STRATEGY IN MGO'S
BRANCH – 1997: INTEGRATED FINANCIAL ADVISER SYSTEM AND
AUTHORITY-CUM-RESPONSIBILITY CENTRE (ARB)**

The nature and extent of powers for the above purpose was reviewed and enhanced vide the following MOD letters :

- MOD No. 48503/ST-11/4810-B/D(QS) dated 23 Sept 1992;
- MOD No. AN-I/1179/1/VI(PC-XXV) dated 17 Aug 1994;
- Implementation of the Financial Management Strategy (FMS) in the MGO's Branch as per MOD no. 6(1)/97/D(O-I) dt 8 April 1997 as amended from time to time;
- MOD No. A/89591/FP-1/693/2002/D (GS-I) dated 22 April 2002;
- and MOD No. A/89591/FP-1/1974/2006/D (GS-I) 26 July 2006.

With a view to introducing efficiency in performance, financial control and establishing linkages between utilization of resources allotted and targets/output achieved, the Financial Management Strategy (FMS) involves the following:-

- (a) Greater decentralization of responsibilities for budget formulations and financial control together with adoption of the concept of accountability.
- (b) Creation of Authority-cum-Responsibility and Budget Centre (ARB) at MGO's Branch under the aegis of MGO. The design of ARB Centres in MGO's Branch is given at Annexure 'A'.
- (c) MGO as PSO will henceforth be a high level budget holder acting as an Authority-cum-Accountability Centre and would be responsible for cost effective management of all equipment management activities of the Army. This Centre will monitor expenditure on various items of AOC Stores against discipline-wise budgetary allocations. It will also be responsible for sub-allocating the budget to various Budget Centres.
- (d) The DGOS and DGEME as heads of respective directorates will be intermediate budget holders and act as Responsibility and Budget Centres for their respective directorates in management of budget and achievement of objectives within a given budget, keeping economy and efficiency in mind.
- (e) Additional DGOS, CODs, Base Workshops, etc. will be responsible for day to day management of the budget and monitoring of the expenditure against the budgetary allocations.

(f) The most important feature of the Financial Management Strategy is the linkage of provisioning and procurement activities with the availability of resources. This will be achieved as described in succeeding paragraphs.

Prioritization

2. The MGO on receipt of the indicative budgetary provisions will propose to the MOD (Finance) Sub-allocations of funds to various Budget Centres in terms of store discipline-wise requirement for maintenance in respect of both class 'A' and 'B' stores. After these allocations are concurred in by MOD (Finance), the same would be intimated to the Budget Centres. The budgetary allocations will taken into account by the Budget Centres while projecting the consolidated Provisioning and Procurement Plan as discussed below.

Provisioning and Procurement

3. Though the present system of Provision Review will continue, the planning of provisioning will be carried out on a 3 year roll-on basis. Thus, in addition to the determination of the requirements bases on usual Annual Provision Reviews, the likely arising of the requirements in the next two years would also be worked out so as to have a clear assessment of requirement of funds vis-à-vis likely available resources. It would also lead to linking of procurement planning with availability 'of financial resources. The demands emerging as a result of item-wise provision reviews will be got vetted form the I & BC. IFA Army and MOD (Finance) as the case may be. This exercise in respect of all items of Class 'A' items in accordance with Para 7 of DGOS Technical Instructions 037. The liabilities will henceforth be worked out on three years roll-on basis as against one year being done hitherto fore. After the requirement of each item of class 'A' Stores has been armed up, as a result of case-wise provision reviews, the liabilities will be consolidated in the form of a Statement indicating the name of item, vetted quantity, unit rate, total financial indications, the equipment wise, liabilities thus worked out will be prioritized with reference to criticality of the deficiencies and the availability of funds. The statement containing the consolidated requirement will indicate the prioritized requirement of the items with financial implications.

4. Provisioning plan for Class 'B' stores, which is interrelated to the results of provisioning of class 'A' stores, is to be prepared by the CODs based on item wise provision review of spares for the equipment. However, having regards to the multiplicity and volume of items of class 'B' stores for the purpose of the requisite consolidated Provisioning and Procurement

Plan, the projections of the requirement to Army Headquarters by the concerned CODs could be restricted to the requirement of tyres/tubes, batteries (both for MT and communication equipment), Class 'A' and 'B' vehicles engine assemblies, II/IC tubes, rotables etc. Reflected of the requirement in the consolidated Provisioning and Procurement Plan in respect of Class 'A' and 'B' stores, annual provision review of which is being presently carried out in Army HQ will, however, be item wise in the said consolidated provisioning and procurement plan. These provisioning plans will be vetted by I&BC cells attached with each COD for the purpose and forwarded to I&BC Cell at Army HQ latest by 31st Dec every year. I&BC cell in the Army Headquarters will, after due scrutiny of these projections, forward the same to IFA Army HQ along with the consolidated provisioning plans of class 'A' stores by end Jan. After these liabilities are scrutinized by the IFA Army HQ the same will be forwarded by end Feb for approval to MOD/MOD (Fin). On the receipts from MOD/MOD (Fin) by the end March, Annual Priority procurement Plans will be finalized by the MGO's Branch and a copy forwarded to all concerned viz I&BC cell in Army HQ, IFA Army, Army HQ and MOD/MOD (Fin). The Annual Procurement Plans will be suitably revised and modified, if necessary, in consultation with MOD/MOD (Fin) on receipt of budgetary allocations intimated by MOD/MOD (Fin) in May every year. The resources availability will be worked out as under for budgetary purposes:-

	Year 1	Year 2	Year 3
Indicative Budget	X	1.05X	1.05X+0.0525X
Deduct Cash outgo on committed liabilities	Y	Y 1	Y 2
Net assumed resource availability	X – Y	1.05X – Y1	1.1025X – Y2

Note: Resources at year 1 will be at the current level and increase of 5% per annum would be allowed for budgetary purposes.

5. Provision review of class 'B' stores will be taken up w.e.f. 01 Apr each year as per instruction contained in DG OS Tech instruction 040.
6. Once the firm prioritized procurement plan is finalized as above, the individual procurement proposals of both class 'A' and class 'B' stores falling beyond delegated financial powers will be submitted to MOD (Fin.) for approval as per the approved provisioning plan.
7. The entire procurement exercise will flow from an accepted annual provisioning and procurement plan already vetted, which will be reviewed by

budget centers every year as a pre-budget exercise on three years roll-on basis.

7.1 All purchases exceeding Rs. five lakh in value should be made on the advice of the Tender Purchase Committee (TPC) comprising of representatives of indenters, user, QA agency and IFA/CDA concerned. The constitution of these TPCs will now be as shown in Annexures 'F' for Ordnance and 'G' for EME. The Chairman of the TPC will ensure that all relevant papers/files including those relating to tenders, original quotations, comparative statement of tenders etc. are made available to the members of TPC well before the TPC meetings. The instructions contained in the Govt. of India, Min. of Def. Letter No. 48503/ST-11/4810-B/D(QS) dated 23 Sep 92 will also be followed *mutates mutandis* in the matter of exercising the financial powers by Army Authorities in consultation with the accredited IFA reps.

8. The MGO in his capacity as the Principal Staff Officer will be responsible for functioning of Authority cum Responsibility and Budget centre as under:-

- (a) Preparation and implementation of provisioning and procurement plans in respect of class 'A' and 'B' stores of AOC responsibility on a three years roll on basis in conformity with responsibility vested for procurement, maintenance and providing engineering support to in-service equipment of the Army.
- (b) Preparation of various budgetary estimates in regard to above.

Monitoring of sanctions, supply order/contracts and related cash out flow.

1. To ensure that all Budget Centres maintain an accurate and updated record of complete contract-wise details of committed liabilities and expenditure incurred in the discharge of such liabilities during the respective financial year.
2. Rendition of quarterly report on (d) above by all Budget Centres in the format as at Annexure 'E' to various controlling centres viz I&BC Army HQ, IFA (Army - O) and MOD/MOD (Fin.).
3. Ensuring that the expenditure does not exceed ceiling allotment.

4. Monitoring of all major activities pertaining to provisioning, procurement, engineering support including production with-in the Army Base Wksps as well as production/procurement ex OFB/PSUs/trade in consultation with Department of Defence Production and Supplies.
5. Effective resource management to ensure optimum utilization of capacities of CODs and Army Base Wksps in line with output norms.
6. Keeping Ministry of Defence fully informed, about important decisions/developments in his sphere of activities, as and when necessary.
7. Adjustment/modification of Priority Procurement Plan in the light of Budgetary grant by MOD within the vetted and approved requirement.
8. Sub allocation of AOC Stores budget to various Budget centres/Holders code head wise and CDA wise along with targets/activities.
9. To carry out half yearly review of procurement progress by the Responsibility cum Authority centres and provide feed back by them to MGO's Branch, Ordnance Services and EME Directorates and MOD/MOD (Fin) accordingly.
10. Streamline procurement procedure wherever necessary, in consultation with IFA to reduce lead time and to over-come other bottlenecks with the concurrence of MOD/MOD (Fin.).
11. To report, through IFA, overspending/underspending to MOD/MOD (Fin.) with reasons for the same and with suggested remedial measures to rectify such overspending/underspending to enable the Ministry to take appropriate necessary action.
12. To carry out, in association with IFA, final review on the implementation of provisioning and Procurement Plan vis-à-vis objectives/targets discipline wise at the end of each financial year. The subsequent provisioning and procurement plan, when submitted for approval, should be supported by a report on the said review.

Overhaul

9. The basis for functioning of Army Base Workshops/Advance Base Workshops as Budget Centre will be on the basis of approved three year roll on programme for overhaul of equipment, manufacture of spares and

fabrication plans. DGEME will lay down guidelines for Army/Advance Base Workshops to achieve the targets based on the annual programme for overhaul of the equipment's finalized with the approval of MGO's Branch/Ministry of Defence as per the existing procedure. Each Army Base Workshop will be treated as a Budget Centre for the budget allotted to them.

Delegation/Enhancement of Financial Powers

10. Introduction of high level budget holder in the organization of the MGO and increased decentralization of provisioning and procurement activities for effective budgetary control and adoption of the concept of accountability makes it essential that various Budget Centres are equipped with adequate financial powers. Accordingly, the existing delegation of financial powers has been reviewed and it has been decided to adequately enhance the delegated financial powers and also delegate financial powers in respect of some activities not so far covered.

10.1 The revised financial powers to various Competent Financial Authorities (CFAs) of MGO's Branch are given in various Schedules of the GOI, MOD letter No A/89591/FP-1/1974/2006/D(GS-I) dated 26 July 2006.

10.2 While exercising the delegated financial powers the canons of Financial Propriety indicated in the Financial Regulations will be observed by the CFAs. The following will, *inter alia*, also be kept utmost in view:-

1. Procurements will be governed by procedural instructions issued by the Government from time to time.
2. While entering into fresh commitments for procurement, the availability of funds within the allotted budget will be certified. The liabilities to be created should not only take into account the cash outgo in the current financial year but also the requirement of funds arising in the subsequent financial years as a result of liabilities so created.
3. In the case of scaled items, procurements will be done through DGQA approved sources as hither to fore. Efforts should be made to generate as many sources as possible.
4. The procurement proposals arising out of Provisioning and Procurement Plan will not be split up and CFA sanction for the items decided for procurement out of the vetted quantity for the first year of

the Provisioning Plan will be obtained for the entire quantum decided for procurement.

5. CFA for expenditure sanction will be determined on the basis of financial implications worked out at the last procurement price updated by adding 5% cushion on annual basis for budgetary purposes.
6. Quantity ordered will be strictly within the quantity cleared in the Provisioning and Procurement Plan. Wherever it is found necessary to go in for procurement of items over and above the vetted quantity or of the items not found included in the requisite procurement and provisioning plan, the approval of the next higher CFA will be obtained and I&BC, IFA and MOD/MOD (Fin.) informed. IFA will be consulted while projecting such cases involving deviations from vetted quantity to the next higher CFA.
7. While ordering procurement of an item, its overall inventory holding will be taken into account having regard to the deficiency, criticality of the requirement, existing stock, wastage pattern such as slow moving or non-moving etc.
8. Financial Powers relating to Local Purchase of slow or non-moving items will only be exercised with the concurrence of next higher CFA.

(Note:- Slow moving stores would be those stores which have not been drawn for a period between one to three years prior to the date of review. Non-moving stores will be those stores which have not been drawn for a period of 3 years or more prior to the date of review.)
9. Single tender situations shall be avoided as far as possible.
10. Reasonableness of the rates will be given utmost importance in making purchases for which it is necessary to generate adequate competition.

Integrated Financial Adviser

11. IFA (Army HQ) was set up under Government of India, Ministry of Defence letter No. AN I/1179/1/VI (PC XXV) dated 17.08.94. He was also IFA for the MGO's Branch including DGOS and DGEME. During past one decade, IFA system has undergone a sea change and one dedicated IFA has

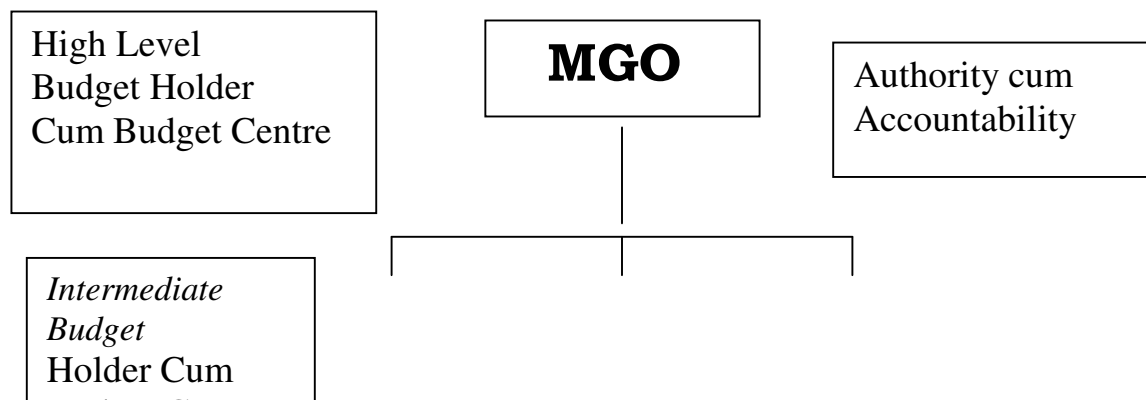
been provided to MGO's Branch to render advice on all financial matters to these functionaries. In all matters within delegated powers of MGO, DGOS, DGEME, IFA is to be consulted in respect of all cases of specific expenditure proposal & these powers will be exercised with his consultation. To enable the IFA to discharge his role of rendering financial advice effectively within the delegated financial powers, all the concerned papers/case files relevant to the case as also the relevant papers in regard to tender, original quotations, comparative statement of tenders etc. will be made available to the IFA or his representative, as and when required, for rendering such financial advice through TPC or otherwise. The IFA will also be fully associated with the post-contract stage developments financial bearing like granting of extension of time, recovery/waiver of liquidated damages and risk purchases etc.

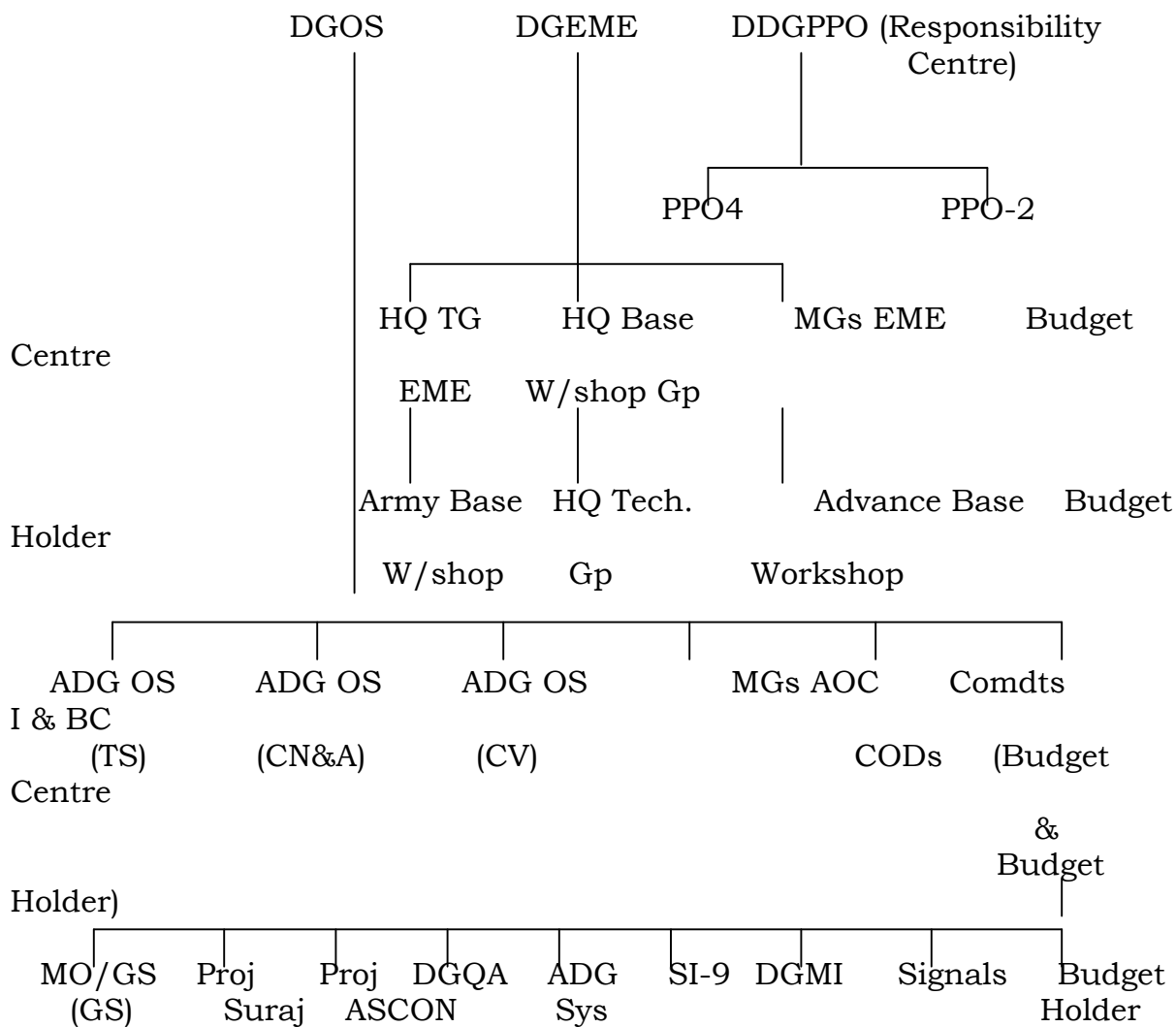
12. Schedules to Appendix to FR-Part I (Vol. II), DGOS Technical Instructions, EME Regulations, Army Instructions/Army Orders and all previous Govt. letters on the subject stand amended to the extent of financial powers indicated now. Other terms and conditions in the existing relevant Government orders on the subject will continue to apply.

13. Expenditure in the exercise of delegated financial powers will be debited to relevant code heads.

14. The Financial Management Strategy took effect from the Provision Review Cycle commencing as on 01.04.1997. The procurement proposals resulting from the Annual Provision Review (APR) deficiencies are required to be based on Provisioning Procurement Plans during 1997-98 onwards.

ARB CENTRES IN MGO's BRANCH





CGDA's Guide lines

(CGDA's Cir. No. AT/IX/O/9108/Vol-VII Dated : 30th July' 1997)

Implementation of Financial Management Strategy of MGO's Branch 1997: Integrated Financial Adviser System and Authority-cum-Responsibility Centre (ARB) in the MGO's Branch.

Guidelines for exercising delegated enhanced financial powers to Ordnance & EME authorities:

2.1 All purchase (Central purchases, local purchases) above Rs. 1 Lakh (now Rs 5 Lakh) will be done through TPCs in which Finance Rep be a member as required vide Govt. letter dt. 08.04.97. The constitution of TPCs is laid down in Annexure 'F' in respect of Ordnance Branch and Annexure 'G' in respect of EME. As will be seen from Annexure 'F' TPCs upto the value of Rs. 25 lakhs will be attended by the Rep. Of CDA/IFA concerned. CDA will provide IFA coverage to these TPCs by deputing an IDAS Officer of DCDA rank as already provided in this office letter No. AT/IX/O/9149 date 18.01.89. In respect of EME, it has been specified in Annexure 'G' that the lowest level TPC to be chaired by Commandant. ADV/Base Workshop will be attended by the ACDA/DCDA as rep. Of the CDA in capacity as Finance Member. As far as possible the representative of the CDA should be nominated from amongst the officers available in the Main Office of the Controllers. In cases when no suitable officer of this status is available in Controllers Main Office, an officer of equivalent status of your organization available locally where the depots are located and TPCs meeting is held may be nominated.

2.2 At Command and Corps level, IFA coverage in respect of cases other than TPC including those below Rs. 1 lakh (now Rs 5 Lakh) will be provided by the representative of the CDA at the level of ACDA/DCDA. Similarly at lower than Command/Corps level, the IFA coverage in respect of cases other than TPCs and those below Rs. 1 lakh will be provided by the LAO, who provide local audit cover.

2.3 As per directions contained in para 7.1 of the above Govt. letter, it may be ensured that all relevant papers/files including those relating to Tender, original quotation, CST etc. are made available to the member of TPCs well before the TPCs meetings. The instructions contained in MOD letter No. 48053/Q/ST II/4810-B/D(QS) date 23.09.92 may also be kept in view in this regard.

2.4 The officer attending the TPC meeting will submit a resume of deliberations in the TPC to the CDA who may advise and guide the participating officer for future TPC meetings. It should be ensured by the Finance Member in the TPC that the purchase procedure and the procurement guidelines contained in the above Govt. letter, Codes and Manuals and in the orders issued from time to time are strictly followed.

2.5 The role of the IFA as defined at para 11 of above Govt. letter may be strictly followed. The rep. of CDA should ensure that all pre and post contractual process as mentioned in above Govt. letter are decided with his prior concurrence.

2.6 Special attention is to be paid to the Govt. letters mentioned in the notes appended below each Annexure of the Govt. letter date 08.04.97.

2.7 Canons of financial propriety will be observed by the IFA in the exercise of delegated powers by the CFA.

2.8 Any supply orders placed and any amendments to Supply Orders in consultation with CDA or his rep. and any finance concurrence given by the CDA's rep. for other than procurement of items will be given a UO No. by CDA's rep. which should figure in the Supply Orders/ Sanctions issued thereafter.

2.9 During the procurement process the rep. of CDA/LAO will ensure that budget allocation to the Depot is not exceeded.

2.10 It may be kept in view that the delegation of powers in the above Govt. letter date 08.04.97 are in respect of authorized and scaled items only, expenditure of which is debitable to revenue heads. The Govt. letter date 08.04.97 does not cover procurement of items of Capital expenditure.

3. With a view to ensure smooth functioning of the scheme and expeditious finalization of the procurement proposals and expeditious according of finance concurrences, it is necessary that close liaison is maintained by the CsDA Organization with the various CFAs to enable them to appreciate finance requirements while initiating procurement proposals obtaining finance concurrences. In other words CFAs need be made aware of the various input data required for our examination while dealing with the procurement proposals etc. this would avoid cross references and back references resulting in delay in disposal of cases. It may also please be ensured that procurement proposals and other proposals whether received on files or in TPCs meetings are accorded due priority and are dealt with a great sense of expediency.

APPENDIX II – PART I ARMY SCHEUDLE XIII

POWERS TO SANCTION CONTRACTS AND/OR TO EXECUTE CONTRACTS,
DEEDS ETC. ON BEHALF OF PRESIDENT

SECTION II – Contracts and other instruments for Services and Establishments under the Control of the Master General of Ordnance

Contracts and other instruments for the Corps of Electronics and Mechanical Engineers

Sr. No.	Nature of contracts/instruments	Competent Authority
1.	Contracts for local purchase and/or manufacture of stores required for EME Workshops and for repairs to vehicles or other equipment	The Master General of the Ordnance; the Director General of Electronics and Mechanical Engineering; Commandants EME Centres, Commandant MCEME, Commandant EME School, Commander Technical Group EME, Commander Base Workshop Group, Commandant/Officer Commanding/Officer-in-Charge EME Workshops of all types
2.	Agreements entered into with all civilian non-gazetted staff other than those enumerated in Item I under Head (k) employed under administrative control of the Director General of Electronics and Mechanical Engineering	Officer-in-Charge, Electronics and Mechanical Engineers Records; or Commandant/Officer Commanding, Electronics and Mechanical Engineering unit authorised to appoint the persons concerned.
3.	Contracts for the local purchase of periodicals/journals on technical subject of EME concern	MGsEME, Commander Technical Group EME, Commander Base Workshop Group, Commandants EME Centre, DDs EME HQ Corps, DDs EME HQ Area, ADs EME HQ Independent Sub Areas and Brigades and Commandants/Commanding Officers/ Officers Commanding EME Workshops of all types, of the rank of Major and above

Contracts and other instruments for the Army Ordnance Corps

Sr.	Nature of contracts/	Competent Authority
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No.	instruments	
1.	Contract for local purchase of Ordnance Stores	The Master General of the Ordnance, Director General of Ordnance Services, Additional Directorate General of Ordnance Services, Deputy Director General of Ordnance Services, Directors Ordnance Services, Joint Directors Ordnance Services, Deputy Directors Ordnance Services of Army Headquarters, Major Generals Army Ordnance Corps Commands, Deputy Directors Ordnance Services Corps. Colonel Ordnance Services Area/Sub Area, Commandants CODs/ODs/ABODs/Ads/CAFVD/FADs/OTG/CVD/ CADs/VDs, Officers Commanding OMC/ Ammunition Coys/Ammunition Platoons/ Stationery Depots/DOYs/BOYs/OMPs/ PARs/ FARs /OFPs/SDE Team/ OSSs/ Army Liaison Centres, Deputy Comdts of CODs Cheoki and Kanpur, Senior Provision officers of CODs/CAFVD, Deputy Commandant CAD Pulgaon and Local Purchase Officers
2.	Contracts for washing of textiles, sawing of timber, retuning articles of Ordnance Supply, manufacture of Ordnance stores and repairs to garments, tentage, screens cooling chucks course and fine and other ordnance stores	The Master General of the Ordnance/ Command/Area/Independent Sub Area, Station Commanders or officers of the Ordnance Corps
3.	Agreements entered into with all civilian non-gazetted staff other than those enumerated in item I under head (k) employed under the administration control of	The Officer-in-Charge, Army Ordnance Corps. Records or Commandant Chief Ordnance Depot Officers/Commanding Ordnance Depots authorised to support the persons concerned

	Director of Ordnance Service	
4.	All instruments connected with the reconveyance of property given as security	The Director General of Ordnance Services or Officers Commanding Army Ordnance entitlements/ Units.

(1) Exercise of Delegated Fin Powers by MGO Branch, Army Hqrs

- The system of **Integrated Financial Advisor (IFA)** in the Army Hqrs owes its genesis to the recommendations of the *Arun Singh Committee on Expenditure* set up by MOD in early nineties.
- Based on the above recommendations and commitment to the Estimates Committee, the IFA system for exercise of delegated financial powers by the Service Hqrs under revenue head was introduced and the nature and extent of these powers was enhanced vide the following MOD letters :
 - MOD No. 48503/ST-11/4810-B/D(QS) dated 23 Sept 1992
 - MOD No. AN-I/1179/1/VI(PC-XXV) dated 17 Aug 1994
 - Implementation of the Financial Management Strategy (FMS) in the MGO's Branch as per MOD no. 6(1)/97/D(O-I) dt 8 April 1997
 - MOD No. A/89591/FP-1/693/2002/D (GS-I) dated 22 April 2002
 - MOD No. A/89591/FP-1/1974/2006/D (GS-I) 26 July 2006
- First IFA [Army-Ord] was positioned in 1994 who assisted DGOS in procurement only.
- With the advent of the FMS in 1997, IFA [Army-Ord] started scrutinizing and vetting the Annual Provisioning Reviews also.

(2) Exercise of Delegated Fin Powers by AHQrs

- At present, work allocation among IFAs at Army Hqrs is –
 - IFA [Army-Ord]: to assist MGO, DGOS & DGEME in exercise of their fin powers under minor head 110-c
 - IFA [Army-Q]: to assist QMG, E-in-C, DGST, DGMF, DGAFMS
 - IFA [Army-Misc]: to assist SO-in-C, DGMI, DGIS, Rashtriya Rifles and other Misc Dtes

(3) Role of IFA [Army-Ord]

- IFA[Army] set up vide MOD letter dated 17 Aug 1994 will also function as IFA [Army-Ord] for the MGO Branch including DGOS & DG EME.
- He shall render advice on all financial matters pertaining to these functionaries.

- In all matters within the delegated powers of MGO, DGOS, DGEME, IFA is to be consulted in r/o cases of specific expenditure proposals and these powers will be exercised in consultation with him.
- To enable the IFA to discharge his role of rendering financial advice effectively within the delegated financial powers, the concerned papers/files relevant to the case will be made available to IFA or his rep for rendering financial advice thru TPC or otherwise
- IFA will also be fully associated with the post contractual developments such as granting of extension of time, levy/recovery of LD and risk purchase, ordering addl qty under tolerance/option clause, issue of repeat order, refixing of DP, amendment in the details of consignee etc.
- IFA shall be associated with the process of formulating the Priority Procurement Plan at the beginning of the financial year.
- IFA shall be associated with the process of budget formulation and review.
- Implementation of the **Financial Management Strategy** (FMS) in the MGOs Branch has been taken up as per MOD no. 6(1)/97/D(O-I) dt 8 April 1997.
- This FMS involves:
 - Decentralization of budget formulation and financial control together with adoption of the concept of accountability
 - Creation of Authority-cum-Responsibility Centres (ARBs) at MGO Branch.
 - MGO to be a high-level budget holder and act as Authority-cum-Accountability Centre. This centre to monitor expenditure on AOC stores and to make sub-allocations of budget to various subordinate budget centres. MGO made responsible for cost effective management of all equipment management activities.
 - DGOS & DGEME made intermediate budget holders and act as Responsibility and Budget Centres for their respective Dtes.

- ADsGOS, Cmdts – CODs & Base Wksps made responsible for day-to-day management of budget/expenditure.
- The most important feature of FMS is the linkage of provisioning and procurement activities with the availability of financial resources.
- MGO to prioritize his expenditure proposals, before the commencement of the financial year, in the form of budget centre-wise, store discipline-wise sub-allocations for both class 'A' & 'B' stores, which is known as Priority Procurement Plan (PPP). After approval by MOD, PPP would be intimated to all budget centres.
- Provisioning to be carried out, item-wise, thru' APRs but on a 3-year roll-on basis, whereby following two years' requirement also would worked out to facilitate a clear assessment of funds requirement. The demands so arisen will be vetted by the I&BC Cell, IFA [Army-Ord] & MOD (Fin) as the case may be.
- This exercise to be completed by January-end in r/o Class 'A' items in accordance with para 7 of DGOS Tech Instrs 037.
- Provisioning of class 'B' stores, being linked to that of class 'A' stores, will be carried out by CODs based on item-wise APRs of spares as on 1st April each year.
- Once the requirement is firmed up based on APRs, the liabilities will be consolidated in the form of a stmt indicating the name of the item, qty vetted, unit rate & total fin implications.
- The equipment-wise liabilities thus worked out will be prioritized wrt criticality of deficiencies and availability of funds.
- Procurement activity commences after availability of firm Prioritized Procurement Plans, which is taken up at the level of various CFAs depending upon the total financial value.
- Progress of the Procurement plan is reviewed mid-term and also as a pre-budget exercise.
- Purchases exceeding Rs. 5 lacs are based on Tender Purchase Committees (TPCs) comprising reps of indentors, user, DGQA, and IFA/CDA.

Exercise of Delegated Fin Powers by AHQrs (contd...)

	*Without consultation of IFA	with consultation of IFA
VCOAS(indigenous)	-	(25)50 crs
MGO(indigenous)	-	(10)30 crs
MGO ex -import (incl Spl Clo)	-	(6)20 crs
ADG (Proc) ex -import	-	(nil)5 crs
DGOS	2 crs	(5)20 crs
ADG OS	1.5 crs	(nil)10 crs
DDG OS (GS&C)	50 lacs	(nil)2 crs
Comdt CODs	25 lacs	
<p>•All these powers are exercised with fin. concurrence only.</p> <p>•powers shown in green are as per 2002 MOD letter & those in blue are as per 2006 MOD letter</p>		

(4) Exercise of Delegated Financial Powers by MGO Branch

• **Other fin powers in MGO Br :** (as per latest delegation)

- Single Tender (MGO) : 1 cr
- Single Tender (Spl Clo) : 5 cr
- On PAC basis : 3 cr
- NS/NIV MGO : 10 cr
- VCOAS : 20 cr
- For Spl Forces/Spl Ops* VCOAS : 20 cr
- Indigenization** MGO : 2 cr

- To be exercised as per SOP of Army Cdr's Spl Fin Powers
- consequent upon transfer of indigenization from DGQA to EME

(5) Provisioning

- Quantity vetting of APRs is done by the I&BC Cell (of the OS Dte) upto Rs.1 cr.
- Qty vetting of proposals worth Rs.1 cr – 50 cr is carried out by IFA [Army-Ord].

- Proposals worth more than Rs.50 cr are vetted by MOD (Fin).
- Quantity vetting in r/o procurement *ex-import* is done by I&BC Cell upto a value of Rs.25 lacs and by IFA [Army-Ord] Rs. 20 cr; thereupon, MOD (Fin) does quantity vetting.

(5) Areas of Concern in Provisioning & Procurement

- APRs not being forwarded to IFA as per schedule given in FMS
- Uneven cash outgo - inability in exceeding the cap of about Rs.2200 cr at MA stage notwithstanding higher allocations at BE/RE stage over the last few years.
- Repeated DP Extns eroding the purpose of contract in many cases & the need (on the part of various CFAs) to be more circumspect in granting the same.
- **TPC related problems**
 - (i) Erratic POV rates
 - (ii) Cartel Formation
 - (iii) Lack of competition leading to single vendor situation
- In proc of eqpt (Class A) by two-bid process, average time taken - from opening of tech bids to date of placing of SO - is more than one year in many cases. Predominantly, delay is due to prolonged tech evaluation.
- Average time taken in *proc ex-import* is 2 ½ years or more in many cases leading to questions on the very need to procure these items in certain cases.
- Staff Car – Ambassador is in use for many decades with hardly any improvement; suggestion was made to convene a Bd of offrs to study possible improvements/ financial savings if newer models like TATA Indigo/Maruti Esteem are considered.
- Reqmt of Bullet-proof Staff Cars is being projected every year on an ad hoc basis, which is not proper; proposal for scaling the item should be processed expeditiously.

(6) Trials of B vehs

- Reqmt of newer models of various vehicles, particularly ambulances, is being projected by MGO Br/user Dtes, which has to be processed by WE Dte for introduction thru' a long route;
- MGO Br is not authorized to order field trials/introduce any new vehs;
- Procurement of such non-introduced vehs based on wider user trials (under the aegis of MGO Br) has no effect on WE Dte when they take up cases for introduction;
- Matter coming up for discussion with VCOAS.

(7) Areas of Concern in Budget

- **Budget formulation & monitoring** under minor head 110-c, as per FMS of 1997, is required to be carried out in consultation with IFA [Army-Ord]
- All BE/RE proposals to MOD/MOD(Fin) are to be sent thru' IFA. However, this is yet to be implemented.
- While confirming budgetary support to proc proposals I&BC Cell should endorse budgetary commitment excl & include present proposal for proper tracking of budget/ expenditure. This is not being done.
- Better study & analysis of committed liabilities brought forward from earlier years is possible, but not being contemplated
- Need to spend 67% of allotments by Dec and bal 33% by March, as per FM's instructions

(8) Siachen Glacier Items

- Difficulty in finalising QR- in respect of Spl clothing items, specifications are based on mere feedback from field trials rather than any scientific study of the samples available.
- Specific and well-orchestrated effort towards developing/freezing appropriate (standardized) specifications in a scientific manner is yet to be attempted (in two stages - generic & specific)
- Such specifications should invariably allow adequate competition among available vendors and at the same time should not reject scope for fresh improvements/ advancements

- Lack of competition- even though three/four firms are issued RFPs, on many occasions, only one vendor responds.
- Inadequate efforts towards indigenization.
- Uncertainty about reasonableness of rate in the absence of competition.
- MGO Branch was advised to issue 'Request For Intent' (RFI) in all domestic & international media to seek maximum response.
- Proc of Spl clothing items is getting delayed in spite of completion of Provisioning due to above reasons.
- A detailed note based on above analysis has been submitted to Secretary Defence (Finance) on 23 Oct '06.

(9) Army Cdr's Special Financial Powers

- Scrutiny of Comd PPPs by MGO in consultation with DGOS & IFA is not being carried out in a comprehensive manner
- Cmd PPPs are being fwded to IFA after vetting by MGO Branch and intimation to Cmd HQrs, which defeats the purpose of consulting the IFA
- **Ex**-import is the only source of supply for central procurement for many items, especially Spl Clothing, commn batteries etc. whereas, Commands procure such items thru' local firms/dealers
- Provisioning & Central Proc at Army Hqrs should be carried out without delays and as per laid down schedules so that shortages are not faced by the Cmds, in the first place, necessitating local purchase
- Requirement of Additionalities in respect of scaled Ord items should be clearly spelt out by the Comds so that Central Proc can take care of them wherever possible either by resorting to placing addl quantities under Option clause or Repeat Order or by diverting such quantities from other Comds, if not required there

- Items of high technology/elaborate specifications are inspected by a Comd Board of Offrs in contrast with the DGQA inspection carried out in Central Procurement
- Possibly, such items should be subjected to proper checks by any other accredited lab like NABL/NTL **or** DGQA at a later date to ensure 'no compromise' on quality
- There is a need for taking procurements under ACSFP as "assets", in all the cases, for the sake of Annual Provisioning Review by the Ordnance to avoid over-provisioning under certain items. Hence, "assets" resulting from Comds' procurement should be reported thru' Ordnance channel to OS Dte, AHQs in all cases.

(10) Sources of Proc for MGO/OS Dte

- DGOF (OFB)
- PSUs
- DGS&D Rate Contracts (RCs)
- Trade – indigenous
- Trade – *ex*-import

(11) Procurement *ex*-DGOF

- About 65-70% of MGO's budget is spent on supplies made by DGOF
- DGOF units (Ord Factories) are departmentally run prodn units and are different from PSUs
- OFs are captive prodn units meant for supplying arms, ammn, Gen stores & clothing etc. to the armed forces
- OFs take up manufacture of these items based on indents' placed on them by the army
- Indents are placed on DGOF after taking into account
 - built-up capacities for each item in various Fys
 - the product-mix in a particular FY
 - actual reqmt of the army in that year after working out [existing/previous indent qty - qty already supplied] etc.
 - Based on the above, sometimes covering indents are placed

- This entire exercise is known as the 'Target Fixation' which is held at the beginning of each fin year at Kolkata and then reviewed periodically later on
- Cost charged by DGOF for their products is the result of an elaborate internal exercise under the authority of Member (Finance), OFB, who is assisted by a Principal Controller of Accounts (Fys) and **11** Controllers of Finance & Accts (Fys)
- DGOF follows the system of 'Net budget concept', whereby they are allowed by MOD to recover the net expenditure incurred in the manufacture of all indented items at cost.

(12) Issues in Procurement ex-DGOF

- Every year, Member (Fin),DGOF issues a detailed 'Price List' of all principal items of manufacture by various Ord Fys to the indentors incl Army.
- This 'Price List' is issued after due consultation with MOD (D/o DP&S) & MOD (Fin) based on the 'net budget concept'.
- This Price List does not, however, contain prices in r/o a large no. of spares being supplied by the OFs, which are directly obtained from individual Fys.
- Mostly, prices of spares ex-DGOF are being quoted at ISG (EME) rates at the time of provisioning, which may not be relevant on a given date.
- In all likelihood, DGOF would be (debiting) booking the current rate for all such spares every year, while MGO is only budgeting at an old rate, thereby leading to discrepancy / ambiguity in budget formulation on one hand and actual booking (cash outgo) on the other.

(13) Areas of Concern – Procurement ex-DGOF

- Spill-over production, whereby at least 30% of deliverables (by value) as on March 31 every year actually reach Ord Depots only a few months later stretching up to September/October.

- Partial or non-materialization of indents even after lapse of many years (*DGOF recently admitted to having 521 old o/s indents ranging from 1979-2002*)
- Stores received at Depots without I/notes
- Wide variation between flash values and actual booking in financial compilations
- Cost cutting on the part of DGOF is the need of the hour, especially being a captive producer for the Indian Army.
- DGOF follows the system of Standard Costing for manufacture. Estimates prepared contain sufficient padding in terms of man hours/material, which is justifiable when an item is being productionised, but not later on. This aspect needs to be highlighted in MGO's reviews.

(14) Possible Remedial Measures

- In addition to regular Target Fixation/Review (Half-yearly) Meetings, regular, structured, quarterly meetings with DGOF should be held.
- These can be organized Operational Member-wise (of OFB), if not for the DGOF as a whole, so as to have a more focused approach.
- Deliverables of Spill-over production can be factored into the current year's targets at the time of Review meetings.
- Targets should be discussed and fixed before completion of Annual Provision Review and reviewed during course of the year.

(15) Issues with DGQA

- A regular interaction between MGO and DGQA required to address the following issues:
 - DGQA to specify actual time required by them to clear the adv/pilot sample submitted by the firm/s
 - Probable time required by DGQA to carry out receipt inspection
 - Delays in vetting indents and amendments added later on
 - Providing details of OEMs/OES for various items

- Providing costing inputs in certain large technical items
- Action taken to black-list/de-register non-performing firms incl those who never quote
- DGQA's testing stds to be in conformity with international stds with no disputes thereon
- Allowing testing by other accredited labs like NABL etc. when DGQA's testing capacity is inadequate
- Acceptance of test certificates rendered by reputed international labs in case of supplies by foreign vendors
- Delay in change in status of many items from 'current' to 'OBT'/'OBE' leading to accumulation of large inventory with Depots

(16) IFA's role in Procurement (Indigenous)

- Quantity Vetting
- Vetting of Draft Sanction letter and allotment of UO No (in some cases only)
- Scrutiny of TPC/PNC briefs & endorsing minutes
- Supply order vetting
- Post-Contractual issues, mostly in connection with Delivery Period extension & sometimes for placing addl qty under 'Option clause' or Repeat Order.

(17) IFA's role in Procurement (ex-import)

- Qty vetting in r/o items exceeding Rs. 25 Lacs & upto Rs. 20 crores in value
- According financial concurrence before PNC
- Scrutiny of TPC/PNC Briefs & endorsing minutes
- Vetting of Draft contracts
- Release of Free Foreign Exchange (FFE) and allotment of UO No.
- Extension of LC/Post Contractual issues

(18) Time Frame for File Processing by IFA [Army- Ord]

- IFA [Army-Ord] endeavors to process –

-Quantity vetting, Supply Order vetting & post-contractual concurrence files in 12 working days
-TPC/PNC Briefs & minutes in 3 working days

- Check-lists have been devised after consulting the OS-wings & PPO so that all relevant information is obtained on case files to obviate the need to raise queries
- Delays in qty vetting still occur as queries in most cases are replied to only by CODs requiring correspondence
- SO vetting cases sometimes get delayed only when draft SO does not conform to the decision taken in TPC/PNC or if there is any deviation from standard provisions of contracts
- Submission of draft minutes after TPC/PNCs in many cases is still being delayed.

II. Areas of concern and suggestions for improvement

(i) The scheme of Financial Management Strategy has been in operation for nine years now. However, its full potential is not being exploited. The proposals received by the IFA are confined mainly to local purchase, purchases on single tender/PAC, local repair contracts, purchase of NIV and NS items of plant and machinery, civil hired transport, procurements out of DGEME Cash Grant, purchases out of I & M Grant and at best some stray cases of consultancy proposals for ISO certification in respect of Army Base Workshops. The statistics furnished by COD Agra and HQrs Base Workshop Group EME in the past indicate that the system is operational in some selective areas only. Hardly any cases of taking over surplus stores on charge, condonation of unlinked CRVs, local purchase of stores for development of product improvement devices of equipment and repairs thereto, etc. are received for IFAs concurrence. Input from some of the Controllers' offices indicate that local purchase is being resorted to by the executive under their inherent powers.

(ii) Splitting up of transactions

The input rendered by the various CsDA from time to time suggest that the executives in some cases resort to splitting up of transactions to bring them within their own powers. The instances of splitting up need to be avoided in all cases.

(iii) Instances of approaching higher CFAs by lower formations instead of their own IFA

There are numerous such instances where lower formations prefer to seek sanction of their higher CFA instead of referring such proposals to their own IFA. An instance has also come to notice where DGEME could have sanctioned the purchase in consultation with IFA but sanction was instead obtained from Govt. of India Min of Def. It should be clearly borne in mind that vertical delegation should be utilized only after fully utilizing horizontal delegation.

(iv) Procurement of stores exceeding Rs. five lakh in value without TPC

Even the instances where financial powers were required to be exercised by the executive in consultation with IFA but were exercised unilaterally are not uncommon. Such cases come to notice only at payment stage when liability has already been incurred and stores/services received. Payments are released on provisional basis pending regularization action for deviation from procedure prescribed in Govt. instructions.

(v) Non-furnishing of requisite inputs/documents to IFA/CDA Rep by the Executives

It has been experienced that vital inputs such as Annual Provisioning and Procurement Plan approved by AHQrs is not made available to IFA/CDA rep in the absence of which the Finance rep cannot verify quantity approved for procurement. This could sometimes result in over provisioning/splitting up of transactions.

Secondly, though under the Financial Management Strategy, it is mandatory for the CFA to certify availability of funds within the allotted budget while entering into fresh commitments for procurement, the certificate is not given in many cases even at the time of TPC.

(vi) Non-receipt of Advance Notice/Relevant Papers by IFA for TPC

It is a common complaint that the requisite papers for TPC meeting are not being received in advance in the IFA/CDA office. It deprives the IFA of opportunity to study and scrutinize papers in advance and to brief his rep suitably wherever required. Non-receipt of papers in advance adversely affects the performance of IFA Rep in TPC meetings.

(vii) **Non-association of IFA with Post-Contract Stage Developments**

The IFA in some cases is not associated with post-contract stage developments having financial bearing such as granting of extension of time, levy, recovery/waiver of liquidated damages and R&E purchases, etc. Cases have been reported where the cases of waiver of liquidated damages and risk and expense are being referred by the executives to the IFA, extension of time is not granted in consultation with the IFA.

(viii) **No Uniform Procedure for according CDA/IFA's Concurrence**

Under the FMS, two sets of financial powers have been bestowed upon the CFA i.e. their original powers and the enhanced financial powers to be exercised in consultation with the IFA. No uniform procedure for according IFA's concurrence is being followed in various Controllers' Offices. While some CsDA are not insisting on their personal concurrence to the cases where TPC meetings have been attended by their reps, others feel that the concurrence by IFA is mandatory, as sanction of expenditure cannot be accorded by the CFA without IFA's concurrence. According to them, the participation of the CDA/IFA's rep in TPC meeting is for finalization of procurement decision only and in no way tantamount to IFA's concurrence automatically.

There is a need to delegate powers of financial concurrence to the IFAs at lower level in order to make the system more efficient. At present two types of cases are received in the Controllers' Offices for concurrence – cases exceeding Rs. five lakh in value where TPC meeting is attended by IFA/CDA rep before file concurrence and cases below Rs. five lakh in value where concurrence of IFA/CDA is to be accorded on file only and participation in TPC meeting is not mandatory.

Non-availability of SOPs/Drills

Though the Government letter on Financial Management Strategy as also Defence Procurement Manual is quite comprehensive, in view of its application to activities of diverse and complex nature from purchase to hiring of transport, from conclusion of local repair contracts to condonation of unlinked vouchers and from technical consultancy to local manufacture of low technology items, absence of detailed drills/SOPs is being acutely felt by the executives as well as IFA.

As already mentioned elsewhere, it is extremely difficult for the IFA to play an effective role in the TPC meetings for procurement of stores included

in the provisioning and Procurement Plans in absence of a specific drill particularly when the IFA is not associated with the Annual Provision Review particularly at lower echelon.

While a comprehensive SOP was issued by AHQrs duly vetted by the CGDA in respect of Information Technology (IT), Tele Adam Grant and Army Commander's Special Financial Powers, no such SOP is available in respect of procurements related to Ordnance and EME though Financial Management Strategy, Civil Hired Transport, Miscellaneous Grants, Major Works Procedure etc. Thus, in the absence of the detailed drill/SOP on various subjects, uniformity in procedural aspects and decision making becomes difficult.

There is a need to prepare SOP for Ordnance and EME as also for the following activities:

1. Technical Consultancy Projects including ISO Certification cases giving the various stages of certification.
2. Purchases to be made under Provision Review.
3. Local Repair Contracts.
4. Civil Hired Transport.
5. Purchases out of DGEME Cash Grant and A-in-U and FU Cash Grant.
6. Purchase of NIV and NS items of Plant and Machinery.
7. Purchases out of Misc. Expenditure Grants.
8. Major Works Programme under DWP 1986.

The SOPs so prepared should outline in detail the procedure to be followed from the stage of acceptance of necessity to post-contract stage developments including the role of TPC. A standardized format of Tender Enquiry and Supply Order should be appended with the SOP for the guidance of all concerned. The mode of tendering as per GFR provisions should also be clearly prescribed for different types of procurements. Such SOPs should be issued with the approval of MOD and in consonance with the provision of DPM 2006.

(x) Non-exploration of alternative sources of supply in Single Tender/PAC Purchases.

As per DGOS Technical Instructions No 038, procurement of ordnance stores should be made from sources of firms, which are registered and certified for quality with the DGQA. Army HQrs, MGO Branch letter No. 40011/IPC/OS/Cv-Coord/Policy dated 26.04.99 states that in order to invite better competition, tender enquiries should be floated to unregistered firms

also. In case an unregistered firm happens to be L-1, 20% of the quantity may be procured from it and the remaining 80% given to the registered firm with the lowest quote.

However, experience reveals that in a large number of cases adequate competition is not generated on floating of tender enquiries, and purchases are made on the basis of a Single Tender/Proprietary Article Certificate. The desired efforts are not being made to explore the alternative sources of supply by floating tenders to some unregistered firms as well. The feedback obtained from various CsDA indicates that in a few cases where purchases on single tender were objected to and retender ordered, greater competition was generated which led to purchases at a more economical rate in tune with the objectives of FMS. However, in majority of the cases, no efforts are made to generate greater competition citing criticality and proprietary nature of items, thus perpetuating monopoly of a single firm, which cannot be termed as an ideal situation.

In order to generate greater competition, open tender enquiries should be followed as a rule with a provision for sending direct enquiries to registered firms also. The executive authorities must explore their level best of alternative sources of supply to get the best value for money.

(xi) Conclusion of Local Repair Contracts by EME Workshops on a regular basis

It has been reported by some CsDA that a few EME Workshops conclude local repair contracts in civil market on regular basis on the plea that adequate facilities for repair are not available with them. The IFA finds it difficult to verify claims of the EME functionaries in the absence of inputs such as detailed repair facilities available at the Workshop and their annual repair programme.

Therefore, it is imperative to provide a copy of the annual repair/overhaul programme of Workshops to IFA's rep. Besides, CO of EME Workshop should invariably endorse a certificate to the effect that due to inadequate facilities/capacity of the Workshop, repairs from the market are inescapable, every time a local repair contract is concluded.

(Xii) Non-adherence to Procedure for Local Purchase of NIV and NS items.

Govt. of India MOD letter No. 6(1)/97/D(O-I) dated 08.04.97 stipulates that for local purchase of introduced as well as Not-in-Vocab (NIV) and Non-

Standard (NS) items for fabrication, manufacture of spares or other special commitments, Army Base Workshops (ABWs) will wait for 60 days for obtaining NAC from normal source of supply. It further states that after 60 days, purchases may be made subject to two months' requirement at a time. However, inputs received from the Controllers show that ABWs do not generally wait for 60 days for obtaining NAC before purchases on emergent basis are made. There is also a need to review the period of 60 days to make the system more pragmatic.

Conclusion & Operation of Civil Hired Transport Contracts

Under the FMS, powers for hiring of civil transport have been delegated to various ordnance and EME functionaries. A separate set of instructions exist for ad-hoc hiring by Station Headquarters in terms of AI 42/86 as amended by 10/92 for which Station Headquarter convene a separate Board of Officers for fixation of rates. However, it is seen that quite often Station Headquarters fix rates for ad-hoc hiring of transport on the same routes for which Ordnance services also conclude contract. The rates achieved by Ordnance are generally more economical as compared to those notified by Station HQrs for ad-hoc hiring, obviously due to economies of scale involved in Ordnance hiring. The fixation of different sets of rates for same routes by Station Headquarters and Ordnance services results in anomalous situations.

It is also noticed that requisite input such as total load factor, distance involved in kms, turnaround period allowed, etc generally do not find any mention in tender documents. Other important provisions such as registration with RTO, Income Tax Clearance Certificate (ITCC), earnest money deposit (EMD) as well as commercial terms are not incorporated in the tender enquiry. Due to lack of relevant inputs and absence of proper approach, there is a wide variation of rates at various stations.

Now some Commands have taken initiative to enter into regular contracts on annual basis on Station/Organization basis in lieu of ad hoc hiring contracts. This should be uniformly adopted by all Commands.

Suggestions for streamlining Procurement Procedure

With a view to streamlining procurement, the following suggestions are made:

- (i) The list of items that have been contracted under the DGS & D rate contract could be provided to all lower level functionaries involved in procurement so that these items are procured at the rate contract.
- (ii) In certain cases, Central Purchase contracts and procurement decisions are concluded/taken at the Army HQrs level. Sometimes, such items are procured at units level. Correlation of the two contract rates could result in significant savings.
- (iii) The executive should lay down minimum, maximum and re-order levels of stock items so that procurement could be restricted and funds saved from being blocked in slow moving items. A 'FSND' (Fast-Slow-Nonmoving-Dormant) Analysis could be carried out in order to help in the process.
- (iv) There seems to be hesitation on the part of executive to take IFA's concurrence. First, because they fear that IFA would raise a number of observations and the case returned unactioned. Secondly, the executives feel that there would be delay in dealing with the cases. It is imperative to remove these apprehensions for successful implementation of FMS.
- (v) Since IFA system is relatively a recent development, it is important for the IFA rep/CDA staff to have attitudinal change by switching over from 'audit' mode to the 'finance' mode, while discharging finance function.

DELEGATION OF SPECIAL FINANCIAL POWERS FOR INFORMATION TECHNOLOGY – ARMY

Authority : Govt of India, Ministry of Defence No. 6(3)/98/D(O-I) dated 20th October, '98 as amended by Govt. No. 6(3)/98/D(O-I) dated 12th January, '99 and 6(3)/98/D(O-I) dated 10/7/99 Govt of India letter no A/89591/FP-1/693/2002/D(GS-1) dated 22.4.2002; and MOD No. A/89591/FP-1/1974/2006/D (GS-I) 26 July 2006.

(I) General

1. It is for the first time that October 1998 onwards substantial financial powers have been delegated to the various Administrative authorities in the Army to enable them to execute Information Technology related projects in the Army, vide the above quoted Govt. orders. This is obviously in the context of the ongoing technological and other developments in the field of information technology around the world and keeping in view the need for equipping our Army with these facilities so that the Indian Army does not lag behind.

2. The extent of financial powers delegated to the various authorities which are to be exercised in consultation with IFA/CDA for various purposes under this scheme is given Schedule XIX of GOI, MOD letter dated 26th July 2006.

3. The govt. orders dated 20/10/98 and subsequent orders lay down certain stipulations subject to which the powers delegated under IT are to be exercised. These are:

1. The powers delegated would cover only the projects related to Information Technology for Indian Army.
2. The financial powers are to be exercised subject to availability of funds in the budget of the year.
3. Yearly allocation of funds will be made to the Addl Directorate General Systems (now DGIS) by the Addl Directorate General Financial Planning.
4. The entire expenditure is debitable to Major Head 2076, Minor Head 110 (H) Stores - Codes 433/01. 02, 03 and 04.

5. The expenditure will be monitored by Addl Dte General Systems who will render a monthly report on progress.
6. Cases will be processed through notings on regular files.
7. The financial concurrence will be with reference to regular notings on files and the concurrence will be recorded in writing.
8. IFA will be free to ask for any additional data/information relevant to the case for proper examination of the proposal and these would be provided to him.
9. In cases of extreme urgency where time does not permit floatation of regular files, there is no objection to taking decisions during meetings/ discussions, In such cases, these would be followed immediately by regular notings on files where financial concurrence will also be recorded in writing.
10. Thus while meetings and discussions are not precluded, there is no substitute to regular notings on files.
11. All procurement procedures prescribed in various govt. orders will be strictly complied with for all cases of procurement of stores.
12. All equipment and stores will be properly accounted for under orders of Addl Director General Systems.
13. Procurements under these powers will not normally be done for items involving long lead-time to avoid any carry over liabilities.
14. In respect of repairs and maintenance of computer systems, the following stipulations have also been made.
 - (i) Existing local purchase procedure will be followed.
 - (ii) Expenditure will be met from Major Head 2076 Minor Head 110 (H).
 - (iii) EME CFAs will exercise these powers for any one article or number of similar articles purchased at the same time.
 - (iv) Purchases of spare part, maintenance store, materials or items of equipment required to expedite repair work of all types will be only

when such articles are not available from the normal source of supply or being available, time does not permit of their being obtained on emergency indent.

- (v) For Field force requirement, purchase of items by workshops is limited to a maximum extent of 1(one) months inventory level established by average of the past 12 months consumption.

(II) Procurement Procedure

Information Technology has been identified as the single greatest enabler to propel the country in the new millennium. Accepting the potential of Information Technology (IT) in the Army, the Govt of India has given a special thrust to facilitate IT penetration down to the lowest levels of the military hierarchy. Due to the peculiarities of IT which make it distinct from any other technology, a need was felt to setup a new budget head “Budget Head IT, Major Head 2076, Minor Head 110 (H)” exclusively for IT in the Indian Army in 1998. This was done with the primary aim to speed up and streamline the process of automation in the Army as also specifically address the peculiar nature of IT characterized by rapid obsolescence and the need to procure services and not only products.

2. A Standard Operating Procedure (SOP) for implementation of IT projects and effecting purchases of IT related products under the delegated financial powers was issued in 1999 which was further revised in January 2001.

3. The six sub heads under which the expenditure on IT may be effected out of Budget Head IT, Major Head 2076, Minor Head 110(H) are as under:-

- (a) Purchase of computers systems.
- (b) Access Networks and Media Connectivity including associated hardware and software.
- (c) Purchase of systems software and application software.
- (d) Software development, Technical Consultancy for IT Projects and IT training.
- (e) Purchase of computers peripherals and ancillaries
- (f) Computer stationery and consumables.

4. A Priority Procurement Plan (PPP) covering all major projects and procurements will be prepared by all CFAs and approved by the Army HQ at the beginning of each financial year. This would constitute “in principle” acceptance of need. The projects in the PPP should not be confined to the likely budget, but it should contain a comprehensive list of all projects operationally required and whose priority could be periodically revised as per operating needs. This is to ensure that

projects have been conceived in advance in case of additional allocation of funds at the Revised Estimates (RE) stage of the budget. The time for completion of all IT projects should be realistically worked out. Due to the long gestation period of IT projects, some projects may roll over into the next financial year. The Priority Procurement Plan should therefore incorporate the total cost of a project as also specify the likely cash outgo during the current financial year. In case of a project where implementation is likely to be carried forward to the next financial year, approval for budgetary support will be taken from the Army HQ by 31 Jan each year. The subsequent procurement procedure can be divided into four parts:

- (a) **Part I.** Preparatory activities essential for Procurement
- (b) **Part II.** Actual procurement process
- (c) **Part III.** Project Implementation
- (d) **Part IV.** Post Contractual activities

Preparatory Activities Essential For procurement

5. The procurement process in respect of all procurements except in cases relating to IT seminars, Guest Lectures etc is broadly enumerated in the succeeding paras. During the Procurement process it will be ensured that laid down standards both in software solution and network solutions are strictly adhered to.

6. **Initiation of IT Projects.** The end user will initiate all IT projects approved in the finalized PPP. For projects to be executed under the powers of DCOAS (IS&T)/Min of Defence, the detailed case shall be forwarded by the sponsoring organization so as to enable HQ ADG info Tech to progress the case for its sanction. For projects within the powers of the other CFAs, a comprehensive case will be prepared and processed with the respective CFA. In all cases where the project involves networking, the user will also invariably indicate the manner of administration of all IT resources. The cases will be forwarded to the Army HQ for technical concurrence wherever such concurrence is mandatory. For projects to be executed under the powers of DCOAS (IS&T)/Min of Defence, a Project Officer of the end user will interface with ADG Info Tech for all subsequent actions of tendering, TPC etc. Some of the important aspects to be included in the statement of case are:

- (a) Present System
- (b) Existing resources and their usage
- (c) Proposed system including upgradation, if any, with broad system architecture
- (d) Benefits likely to accrue
- (e) Outputs desired from the system.

- (f) In case of networking project, proposed network architecture with inter-distances of nodes.
- (g) Software required to be developed/procured/upgraded
- (h) Feasibility of buy back provision.
- (i) The requirement of system study and requirement analysis through vendor for complex projects if necessary.
- (j) The requirement of system study and requirement analysis through vendor for complex projects if necessary.
- (k) Requirement of training of users in a particular project to be clearly specified.

7. **Technical Examination and Approval.** An Officer nominated by the CFA, based on technical specifications laid down by the ADG Info Tech from time to time, will carry out Technical Vetting of the requirements projected. Cases such as Turnkey Projects, application software, Technical Consultancy, WAN/MAN, Access Networks and Media connectivity will be forwarded to the ADG Info Tech through Command GS (Sys)/Controlling Authorities for technical Vetting. In case of Cat 'A' training establishments, the ARTRAC, all projects other than those covered above and also involving telecommunication and connectivity aspects will be vetted as well as coordinated by DG Signals/CSO Command, as applicable.

8. **Technical Vetting at ADG IT.** Only the following automation projects will be forwarded to ADG IT for technical vetting:-

- (a) Turnkey projects involving application Software Development.
- (b) Application Software Development.
- (c) Technical Consultancy.
- (d) Establishment of Wide Area Networks/Metropolitan Area Networks.
- (e) Access Networks and Media Connectivity
- (f) **Higher Level IT Training** -Only for higher level IT training vetting is required to be taken from ADG IT, Army HQ. In all other cases, an authority designated for the purpose by the CFA may carry out technical vetting. To ensure quality in IT Trg, all users are advised to follow courseware and duration as given by DOEACC for its different level of non-formal IT education standards namely 'CCC', 'O', 'A', 'B' and 'C'.

9. **Concurrence of IFA/CDA** - IFA/CDA will accord concurrence (acceptance of necessity and vetting of the draft tender) to a project within 10 working days after receipt of the proposal. Any observation on a case will be raised within the laid down timeframes and no piecemeal observations will be raised thereafter.

10. **Approval of the CFA** - The CFA thereafter may accord his approval to the project.

11. **Annual Maintenance Contracts (AMC)** - Procurements that require to be covered by an AMC and whether the AMC costs will be included while evaluating the project cost should be clearly stated in the tender enquiry. As a general rule, AMC cost will not be included to evaluate the overall project cost.

12. **Tender** – The tender is the basic document laying down project parameters and it acts as the reference document for the vendor as well as the user. Due care will therefore be taken in preparing the document. The tender will be signed only by an officer authorized by the CFA to do so. The associated legal authorities may vet any material alterations/changes in the tender document involving legal implications.

13 **Tender Preparation** - Depending upon the nature of IT project, tender to suitable vendors from the approved vendor list will be issued. Various aspects such as nature and size of project vis-à-vis vendor capabilities, customer service support, regional presence of vendor depending upon location of project, past performance of the vendor etc will be kept in mind while selecting vendors for a particular tender. The bids in the tender will invariably be asked in two parts viz Technical Bids and Commercial Bids, except where the nature of the procurement does not require any technical evaluation. Both these bids will be asked for in separate sealed envelopes.

14. **Vendor Lists** - A list of approved vendors will be maintained and updated by all the CFAs on regular basis. The vendors should be classified for different services offered like turnkey solutions, software development, consultancy, networking, system integrators etc. The vendor list will be updated and enlarged from time to time based on increment with the Ministry of Information with the Ministry of Information Technology, industry organizations such as CII, MAIT, NASSCOM etc. and through pre-qualification exercises. List of approved vendors by all CFAs will be forwarded to Addl DG IT, Army HQ for record once every year by 01 May. Notwithstanding above, open tender mode will be followed as a rule in all cases where estimated value of procurement is above Rs 25 lakhs.

15. **Proprietary Items** – A number of IT items are of proprietary nature. Procurement of Proprietary items may be resorted to based on furnishing of such certificate by the CFA. Such certificate are to be rendered not below the rank of Major General / head of the establishment. In the case of expansion or replacement of existing in-use hardware to increase the capacity or software features, procurement from the original supplier or OEM may be resorted to on a single vendor basis for ensuring compatibility. The statement of case should clearly state this

aspect. Care should be taken to include this aspect in the original contract for such items of hardware and software, which may require an upgradation on a later date.

16. Technical Evaluation - IT procurement can vary from procurement of peripherals and consumables, simple standalone systems, commercial software to complex systems, networks, consultancies and Application Software. Whereas technical evaluation may be dispensed with in certain cases, TEC evaluation would be mandatory for all other projects/procurements. Wherever technical evaluation is to be carried out, a Technical Evaluation Committee (TEC) constituted by the CFA. Evaluation should, as far as possible be done against laid down qualitative requirements. This would enable evaluation of all products or systems on a common basis and level playing and to ensure maximum competition. The equipment can also be called for demonstration on “ **no cost-no commitment**” basis. Any offer by vendors of higher specifications than laid down in the tender enquiry may be accepted. Amendment to SO in such case shall be carried out in consultation with IFA/CDA. In case of application software and consultancies, the vendors may also be asked for a presentation by the TEC to evaluate the understanding of the system and the software practices to be followed by them. The technical evaluation is to ensure that the vendors have all understood the requirements of the tender in the intended sense. It must ensure that all systems quoted are as per the tender specifications and the solutions offered are complete in all respects and that all vendors are brought on par. The TEC should only classify offers of various vendors as technically acceptable or unacceptable giving reasons for the same. Wherever any additional equipment, software etc over and above that specified in the tender document is considered necessary by the TEC for a complete solution, the same will be clearly recommended by the TEC in its report. TEC will also evaluate vendor rating and approach etc. The TEC may seek clarifications from vendors if so required. The TEC report should bring all the tenders “on Par”, help the CFA in clearly identifying the products and services likely to be procured from any of the selected vendors. The idea is that price alone is the criterion once the TEC clearance is given to determine award of the tender. The TEC report will be approved by the CFA before PNC is undertaken.

17. Tender Purchases Committees (TPC)/Price Negotiation Committee (PNC) - Tender purchase committees will be constituted by the CFAs for all IT projects in excess of Rs. 5 lakh. The commercial bids of vendors who have been approved by the TEC will only be considered. These vendors will all be considered to be on par. An independent Board of Officers will open the Commercial Bids and these will be put up to TPC with Comparative Statement of Tender (CST). The Tender Purchase Committee (TPC) will satisfy itself with the CST and may negotiate prices with lowest bidder wherever necessary. The TPC will thereafter make its recommendations to the CFA for approval after due concurrence of the IFA/CDA. All proceedings of the TPC meetings will be fully documented in detail. Adequate notice will be given to the

IFA/designated CDA for detailing representatives for TPC. Typical composition of a TPC/PNC shall be as give below:-

- | | | | |
|-----|---|---|----------|
| (a) | An Officer nominated by CFA (depending upon the overall cost of the projects) | - | Chairman |
| (b) | One Officer from user organization with adequate knowledge of the project | - | Member |
| (c) | One Officer with sound EDP background | - | Member |
| (d) | Rep of EME (for hardware procurements) at the discretion of the CFA | - | Member |
| (e) | Rep of IFA/CDA
(An Officer of the level of ACDA to Addl CDA) | - | Member |

In order to avoid unnecessary movement of TPC representatives and files, TPCs for several proposals can be clubbed and considered on a specified day at a time and location convenient to all. The CFAs are enjoined to decide periodicity of such meetings in consultation with their IFAs.

18. **Financial Limits for Chairman of TPC/PNC** TPC/PNC shall be chaired by the officers as per the financial limits laid down as under:-

- | | | | |
|-----|------------|-------------------|--|
| (a) | Maj Gen | Above Rs. 50 lakh | (Rep of IFA/CDA will be of the rank of DCDA/JCDA/Addl CDA) |
| (b) | Brig | up to Rs 50 lakh | (Rep of IFA/CDA will be of the rank of ACDA/DCDA |
| (c) | Col/Lt Col | up to Rs. 20 lakh | (Rep of IFA/CDA will be of the rank of ACDA/DCDA |

19. **Sanction of the CFA.** Concurrence of the IFA/CDA will be on file including vetting of the supply order where projects are to be executed in consultation with the IFA/CDA. Such concurrence shall be given within five working days. The IFA/CDA should indicate the U.O. No. and Date of his office on the draft supply order and this will be prominently shown in the final supply order to be issued. The TPC/PNC report shall thereafter be approved for sanction of procurement proposal etc. by the CFA under whose financial power the project is being executed and sanction for the

project accorded. The formal sanction of the CFA will clearly specify the name of the final price for the project. The sanction will be signed by the CFA.

20. **Supply Order**

32. Supply order will be placed on the vender, as approved by the CFA after vetting of the same by IFA/CDA on recommendation of TPC/PNC. An officer authorized by the CFA shall sign the supply order. The supply order will include all terms and condition that affect the execution of the project like branch/make/model of each equipment and cost of each item. A copy of the supply order will be separately sent to IFA/CDA by name soon after the placement of supply order and another copy signed in ink will be submitted along with the bill. The under mentioned will be highlighted:

- (a) Scope of Project.
- (b) Items to be provide/Services to be rendered.
- (c) Overall project Cost.
- (d) Delivery Period.
- (e) Payment terms.
- (f) Acceptance testing Methodology.
- (g) Liquidated Damages.
- (h) Warranty and maintenance cover during warranty period.
- (j) AMC or Maint of software if applicable.
- (k) Uptime Calculations, if applicable.
- (l) Spare and consumables, if applicable.
- (m) Software updates/upgrade,s if applicable.

21. **Repeat Orders.** Repeat order may be placed only with the prior concurrence of IFA/CDA with the consent of the firm subject to fulfillment of the following criteria :-

- (a) The Original was not against an Urgent/emergent demand.
- (b) Repeat Order may be placed within less than 6 month from the date of the original order.
- (c) It has to be ensured that there is no downward trend in prices.
- (d) Repeat Order can be for full quantity if the value of the contract is upto Rs 1.5 lacs.

(e) For value of orders exceeding Rs 1.5 lacs, the value of repeat order may not exceed 50% of the quantities originally ordered.

22 Association of IFA/CDA with Post Contractual Developments having Financial bearing. The IFAs/CsDA will also be fully associated with the post contract stage developments having financial bearing like grant of extension of time, waiver of liquidated damages and risk purchases etc. In other words, the prior concurrence of IFA/CDA will be obtained in such matters.

(III) Guidelines for scrutiny

Keeping in view the general financial principles aimed at achieving effective, efficient and economical spending of public funds and taking into account the special requirements catered for in the Govt. orders, all proposals for financial concurrence in respect of Information Technology related projects for the Army should be scrutinized on the basis of the following.

General

1. The positive and large-scale benefits and advantages accruing out of use of computers in various fields of activity have become an established fact. Defence Services being no exception to this phenomenon, the need and their endeavor to update their Information Technology and the concern of the Govt in this regard are obvious as demonstrated by the delegation of powers in this area as contained in the Govt. orders dated 20/10/98 as amended from time to time. In this background, therefore, the proposals to expenditure in this area should be approached with an open dispassionate and positive outlook.
2. The above notwithstanding the basic financial principles and the need for optimum utilization of available resources are not to be compromised in the process of scrutiny and clearance of such proposals.
3. It has to be kept in mind that IFA scheme is intended to be an aid to management to speed up decision making process and is not to become an impediment in their legitimate activities.
4. While under the IFA scheme, the IFA forms part of the management and the decisions taken are joint ones care and caution is needed to ensure that IFA maintains the objectively,

records his/her views clearly and explicitly, so as to avoid any doubt at a future date.

5. In the process of his functioning the IFA cannot always be rigid in application of the rules and depending upon the situation IFAs may have to be flexible within the overall ambit of Govt policies, orders and procedures for optimum utilization of available resources.
6. Sanctions are not split to keep it within the financial powers of lower CFA.

Specifics

1. The guidelines methodology and procedure for implementation of automation projects and purchase of Information Technology related products have been provided in the SOP issued by Army Headquarters. The SOP has been circulated to controllers under this office letter No. AT/IFA/13381/99 dated 30/7/99. The detailed provisions of SOP may be kept in view while scrutinizing IT related proposals.
2. The important features of SOP for execution of IT projects under the delegated financial powers from Budget Head 110 (H) are given as under.

(1) There are following five sub heads under which the expenditure may be incurred on IT related projects.

1. Purchase of Computer Systems.
2. Purchase of systems software and application software.
3. Software development, Technical Consultancy for IT projects and IT training.
4. Purchase of Computer peripherals and ancillaries.
5. Computer stationery, consumables and technical books.

(2) It is to be seen while scrutinizing the proposals that -

1. Whether the proposal is included in the priority procurement plan (PPP) approved by DCOAS(IS&T)?

2. Whether technical vetting has been carried out by DG IS (DDG IT)?
3. Whether technical vetting for the telecommunication aspects of the project as applicable has been done by DG Sigs/CSO Comd/Corps HQs?
4. Whether due care has been taken in preparing the tender documents and the tenders have been signed by an authorized officer?
5. Whether Controlling authorities have maintained a list of vendors for various type of procurements and the list have been categorized for stand alone PCs network, solutions, integrated projects, software development, specialized system etc.?
6. Whether in case of complex projects involving elaborate network on extensive software development activity, a system study through competent experts have been carried out? Similarly whether a Request For Proposal (RFP) has been floated to select vendors for arriving at a normalized solution before initiating procurement process?
7. Whether closed tender to suitable vendors were issued after verifying various aspects such as nature and size of project vis-à-vis vender's capabilities, customer service support, regional presence of vendors depending upon locations of projects?
8. Whether the bids in the tenders have been called for in two parts viz. Technical bids and Commercial bids?
9. Whether evaluations of technical bids have been carried out by Technical Evaluation Committee (TEC)?
10. Whether supply order is placed on the vender as approved by CFA on recommendations of TPC/PNC?
11. Whether supply order includes important terms such as delivery, payment terms, acceptance testing, liquidated damages, warranty, AMC where applicable, uptime

calculations, spares and consumables, software updates/upgrades etc.

12. In case of procurement of computer peripherals and ancillaries, it will also be seen that proposals submitted by lower formations to their respective controlling authorities have been prioritized and vetted by controlling authorities on the basis of standards and specifications laid down by HQ ADG systems for procurement of hardware/software.

(3) The following points also need to be kept in view -

1. The post tender price negotiations should be discouraged as per CVC instructions dt 18/11/98 as revised from time to time on the subject to ensure that the tenderers quote competitive rates in the initial tender itself. Apart from bringing in transparency in the procurement system this is also expected to reduce the procurement lead time. However, option is available to negotiate the prices only with the lowest tenderer to bring down his rates. This is also in tune with the current market trends in IT products when there is adequate competition among the suppliers.
2. The problem of wide price variation between locally assembled computer hardware and good quality branded hardware can be got over by inviting tenders from all the reputed original equipment manufacturers (OEMS) or their authorized dealers besides going for open tendering.
3. In case the procedure laid down in para (i) & (ii) are followed and the lowest tender meets the technical specifications approved by the competent authority, there would be no problem in accepting the lowest tender.
4. The technical and finance members of TECs and TPCs are expected to take joint decisions through open discussions in the committees, which evaluate the technical and financial bids. The technical and finance member of TECs and TPCs should strive to supplement each other by their respective professional inputs.

(4) In addition to the points mentioned above which should always be borne in mind, the under mentioned specific points of scrutiny in the context of the Govt. orders dated 20/10/98 have to be seen while examining proposals for financial concurrence.

1. Compliance with the various stipulations laid down in the Govt. orders has to be looked into and ensured in every case.

(b) Procurement of computer systems, system software, application software, computer peripherals and ancillaries

1. What is the proposal for?
2. What are the existing facilities/systems available already?
3. Can the purpose of the proposal be achieved by modification or up gradation of the existing systems?
4. Has the quantum/volume projected for procurement been justified adequately by the users and technically qualified functionaries who are in charge of such assessment and have been certified as such by them?
5. If the proposal is for total replacement of the existing system why is it necessary and what are the proposals for utilization of the existing system?
6. If the proposed procurement is additional to strengthen and support the existing ones, are they compatible with each other?
7. Has the need and possibility of standardization of the system wherever feasible been considered with what outcome?
8. Have the technical parameters and specifications been drawn up and spelt out clearly and in detail by the concerned technical experts and available on file; have they also certified about the adequacy of the QR to meet the projected requirements of the users?
9. Have the tenders received been scrutinized by concerned technical authorities in regard to validity of offer, specifications, adequacy etc. and have the technically acceptable offers identified and certified by them?

10. How do the technically acceptable offers compare with each other in regard to prices item wise and overall terms of payment, delivery schedule, dispatch conditions, warranty, after sales service, maintenance support, prospects for upgradation/modifications etc. General reputation, capacity and past performance of vendor may be kept in view?
11. Which is the tender proposed for acceptance on which the proposal is based? If it is other than the lowest, what are the considerations in support and are they reasonable and acceptable?
12. It has to be ensured that negotiations, if at all held, is only with the lowest tenderer in terms of Chief Vigilance Commissioner's or instructions of November 1998 as revised from time to time.
13. Whether the logistics arrangements to house and operate the systems available will be ready before the systems is delivered?
14. After detailed examination particularly keeping in view the above, the proposal has to be processed and dealt with further.

© Software development and Technical consultancy for IT projects and IT training

1. In respect of software development and technical consultancy, aspect of taking advantage of the skill and technical expertise in the various computer centres and establishments of the Army been considered before involving outside agencies in the exercise.
2. Proposals to entrust software development and technical consultancy to outside agencies have to be critically examined keeping in mind the past experience when such exercises did not bring much positive results the apparent reasons being that outside agencies are not acclimatized with Army's system of working and also the intricacies of the working nor can they appreciate Army's actual requirements and constraints. On the contrary these exercises, if conducted in house may produce better results.

3. Have the requirements of software development been drawn up in specific terms?

What is the area in which technical consultancy is sought and is it clear that Army does not have the skill and expertise to undertake it on their own?

4. Has the competence and credibility of the outside agencies been verified by an independent agency and established and do they have any similar experience in the past?
5. What is the mode of inviting offers and has there been enough arenas to choose from?
6. What are the comparative terms of various offers on aspects like duration and time of completion, cost, implementations on ground, training etc?
7. Have these agencies been made aware of what Army really require?
In respect of IT training, the facilities and skills and expertise already available in the various computer centres, schools and colleges of instructions should be fully exploited before approaching outside agencies?
8. While procuring new computer/software systems it may be made obligatory for the supplier to provide training (free or on reasonable payment to) a certain number of Army personnel during a period?
9. Have competitive quotations been obtained for IT training if the proposal is to engage an outside agency?
10. How do the various offers compare on various aspects of training. Ensure that the basic financial principles are followed. In this context the following points have to be kept in view?

(d) Computer stationery, consumables & technical books.

1. To extent and whatever possible is the procurement of stationary proposal from co-operative societies, Kendriya Bhandar etc., If the quality requirements and reasonableness of rates based on last purchase rates, market conditions are achieved.
2. If not available with them, have competitive quotations been followed and the rates are considered reasonable based on last purchase rate, market conditions etc?
3. In respect of consumable and technical books the extent of their availability already should be seen as also the quantum projected

for procurement to avoid over stocking and unnecessary procurements particularly for items with limited shelf life (consumables)

4. Specifications of consumables, stationery, technical books etc., should be clearly laid down.

Note:- Purchase for the computer stationery, consumables etc are usually made in the inherent powers of CFAs.

(e) Repairs and maintenances of computers, peripherals and ancillary equipment.

1. As evident from the trend of delegation vide para 2II above the entire responsibility to provide repairs and maintenance cover to computers, peripherals and ancillary equipment has become that of corps of EME. In this context all proposals in this regard for financial concurrence should be examined keeping in view the following main points amongst others.
2. In cases of purchase of spares for maintenance/repairs the contractual obligations of equipment supplier and period of such obligations should be seen.
What are the provisions in regard to repair of equipment, in the annual maintenance contract? If provision exists will it not be desirable and advantageous to entrust the repair work to the AMC holder?
3. Do the EME have adequate skill and expertise in the requisite volume to undertake repairs of equipment or will it involve additional investment to create infrastructure facilities and if so what is the relative economics of private agency repairs versus repairs by EME?
4. Is the proposal for purchase of spares based on a current NA certificate?
5. Have the proper procedures for local purchase like tendering etc been followed? Keeping in view the related provisions of GFR.
6. In the case of repairs, is the proposal made for repairs by outside agency in which case tendering system, adequacy of competition,

reasonableness of rates based on past experience etc have to be looked into.

7. If adequate infrastructure and other facilities are available in EME workshops, these should be exploited to the maximum before considering repairs by outside agencies?
8. In respect of AMC, the existing clauses relating to supply of spares and carrying out repairs may be suggested for review and if necessary these clauses may be enlarged in scope to cover these facilities so that Army can have some assured source of supply of spares and also repair work.
9. Is the tendering system for conclusion of AMC adequate and there has been competition and the rates are competitive? The feasibility of concluding the AMC with manufacturers of the computers should be explored.
10. How does each offer compare with others in the matter of rates, extent of maintenance services available so that the most advantageous and economical AMC could be selected for conclusion? General reputation, capacity and past performance of supplier/contractor may be kept in view.
11. Maintenance spares stocked or proposed for procurement by EME workshops for field force requirements is within the laid down limit of 1 month's inventory level based on average of past 12 month's consumption.
12. MOU for maintenance needs to be a standard one to avoid legal complications in future. It should include provisions for suitable penalty clause, adequate Bank guarantee towards AMC as well as appropriate payment terms preferably staggered.

Common Concerns in IT Procurement

(1) IFA not associated at "Acceptance of Necessity" stage

Association of IFA at various stages including acceptance of necessity is mandatory as per the Government letter dated 26 July 2006 and the Defence Procurement Manual 2006 (DPM 2006). The association of IFA/CDA for acceptance of necessity has been made mandatory as per Para 4 of the SOP on IT issued in January 2001. However, often it has been observed

particularly in case of lower formations that “Acceptance of Necessity” for the procurement is approved by the CFA without consulting IFA, which is not in consonance with the provisions contained in MOD letter ibid and DPM 2006.

(2) Existing Holdings/Stock position not mentioned in the proposal

Existing authorization, holdings, if any, and their distribution, cost and heads of expenditure etc are not being placed on the case file in many cases to justify necessity. This information is required to have better appreciation of the case by the IFA while according concurrence for “Acceptance of Necessity” by the CFA.

Cases for identical items should be clubbed and processed on one file as single transaction in order to ensure economy of scale:

Quite often, separate cases on different files for concurrence/vetting of IFA/CDA for procurement of same item are floated by the same formation. As far as possible, cases for identical items should be clubbed and processed on one file as single transaction to avoid splitting and to ensure sanction by the appropriate CFA. This will not only achieve economy in the form of lower rates/quantity discount due to economies of scale but will also save time and efforts at every level.

(3) Calling for specific brand names in specifications

While calling for quotations, it is necessary that the tender enquiry should refer to the specifications desired in the product proposed to be procured. Indicating specific brand names viz. ARC/Datex/TVSE/WIPRO etc. mentioned in the specifications tantamount to patronizing particular suppliers only and should be avoided.

(4) Tendering action and list of vendors to be case specific

In order to generate adequate competition, it is necessary that the CFAs should maintain an approved list of vendors (OEMs, their authorized dealers) prepared in consultation with other units/formations and the Command/AHQ. Such a list should also be periodically updated on the basis of response received and performance of the vendors. In actual practice, it has been observed in a majority of cases that tender enquiries do not result in adequate competition. In many cases, neither the vendor lists are prepared with requisite consultation nor periodically updated so as to ensure satisfactory response to tender enquiries floated.

(5) TEC recommendations are often inconsistent and not specific

In certain cases, the TEC overlooks the provisions of the SOP and the convening order, as the recommendations given by the TEC are found not specific and consistent. For illustration, in one case. M/s HCL info System Ltd. was not found technically acceptable by the TEC and its bid was not recommended whereas the same TEC in its proceedings have stated that M/s HCL Info Sys has offered to supply the stores at DGS&D rate contract as the firm is enlisted with the DGS&D for supply of such stores. As the technical evaluation of all the models of the rate contract is carried out by the DGS&D, the reasons for rejecting the bid of the above firm by the TEC, who is a reputed OEM were not found convincing. In addition, as the equipment is said to be available on DGS&D rate contract, Limited Tendering was not required had the procurement been proposed from the DGS&D rate listed firm.

In certain cases, it is seen that the TEC has recommended/cleared the vendors for TPC who have not quoted the complete specifications and/or have quoted lower specifications than those required in the Tender Enquiry.

In some cases, the TEC does not verify the certificates relating to the OEM/authorized dealership etc as laid down in convening order and leaves it to the TPC to verify. However, the vendors are recommended by the TEC without requisite verification of certificates at times without the earnest money deposit. This is not in keeping with the role expected of the TEC as prescribed in the SOP of Jan 2001 because the TPC is expected to interact with the L1 vendor only, where considered necessary, in the financial matters.

(6) Delayed Receipt of Convening Order/Call Notice for TPC/PNC meetings

Quite often the request for detailing representative of IFA or the PCDA/CDA as IFA for attending TPC/PNC meeting is received late leaving hardly any time to respond. Further, the connected documents relating to the case are not sent with the communication. As a result, the representative of Finance, detailed at eleventh hour, also does not get sufficient time to study the tender documents and other related papers. It is advisable that about 7 working days notice should be given to the IFA/CDA's rep to enable them to study the proposal and work out the details for the TPC to ensure meaningful participation in the TPC/PNC.

(7) Incorrect Assessment of Lowest Tenderer (L1)

In some cases, the 'L1' is incorrectly worked out and negotiated with against the instructions issued by CVC, often leading to re-tendering.

(8) Important terms and conditions of commercial bid including validity period not kept in view

In certain cases, validity of the commercial bids is not mentioned or the supply orders are placed after the expiry of the validity period, which is not correct, and it often leads to non-compliance or representation from vendors.

(9) Rush of cases/improper processing of cases during the last quarter of the financial year

Generally, it has been noticed that a large number of cases for concurrence of 'Acceptance of Necessity' are processed and submitted to the IFA in the third or last quarter of the financial year which eventually leads to rush of cases in bulk and hampers the smooth functioning of the system besides causing avoidable delay and pressure all-round at the fag end of the year quarter. It is likely that the vendors would quote higher rates for having to supply the items in a shorter time frame.

In a number of cases, though, the Acceptance of Necessity and Tender Enquiries were vetted during one financial, then there is spill over and the PNC is held in the following year without furnishing the reasons for not processing/withholding of cases for such a long period. Technical requirements, non-availability of requisite number of vendors and shortage of funds are often cited as reasons for not processing the cases further, which are not convincing as the same could have been foreseen. It is desirable that withholding/ dropping of cases and reasons thereof should be intimated to IFA/PCDA invariably, because IFA/PCDA is an integral part of decision-making and should be kept informed of the progress of the cases on file.

(10) Other general discrepancies/deficiencies noticed by the IFAs/CsDA in IT proposals

1. Executive tends to split up the proposals to bring them within powers of the lower CFA.

2. Statement of case is not prepared properly. Moreover earlier procured Hardware/Software is not shown in the statement of case. This contravenes the provisions of Para 9 of SOP, which provides that a detailed and comprehensive case will be projected to the CFA.
3. Noting on regular file is not submitted to CDA. Instead, the cases are received with forwarding memos. Therefore, CDA/IFA is not aware as to how the requirement has been worked out. As per Govt order, it is required that the financial advice/ concurrence is provided by the IFA/CDA in writing and will be based on regular notings on file.
4. The nominated IFAs are facing difficulties to concur with the proposals because required documents are not made available to them readily or well before time.
5. Modification of Technical Vetting by ADG (IT) does not refer to earlier vetting. It implies that modifications are issued independent of original Technical Vetting.
6. In terms of Para 19 of SOP, tenders should be invited from vendors from an approved list of vendors keeping in view the requirement of adequate competition and transparency. Para 22 of the SOP further provides that procurement from original supplier or OEM be resorted to for ensuring compatibility. Contrary to this, it has been observed in some cases that tenders are not called for from the OEMs or their authorized dealers or at times called for from only 3 or 4 dealers, thus not giving wide publicity.
7. Many units do not submit the vendor list along with draft tender documents in the absence of which IFA is not in a position to ascertain as to how many tenderers will be asked to quote. Such cases are being concurred in by the CDA's office with the advice that tenders should be floated so as to generate adequate competition.
8. Some vendors do not have Central Sales Tax No. Income Tax clearance certificate is not being insisted upon from the tenderers.
9. Specifications for hardware given in draft Tender Enquiry are often open ended/ambiguous.
10. The required delivery period is also not being indicated sometimes in the Tender Enquiry.

11. Date and time of receipt/opening of tender is not being clearly specified while floating Tender Enquiry. It would be seen from the standard format of tender appended to the SOP that the date and time of opening of tender should be clearly spelt out.
12. In certain cases it is mentioned in Tender Enquiry that the entire project is a turnkey project, whereas equipment such as desktop PCs, laptops, UPS, DMP & Ink Jet/Desk Jet printers are treated separately for the purpose of finalization of the orders.
13. Some of the units are not including the commercial terms like Security Deposit, Performance Bank Guarantee, Liquidated Damages under terms and conditions in the Tender Enquiry.
14. If maintenance support is to be given by EME Workshop as is being done in respect of Computer System at a number of locations, a clause regarding hardware training and supply of technical manual is not being inserted.
15. As regards post contractual stages, instances have occurred where extension of delivery period was granted by CFA without consulting IFA. The recovery of liquidated damages charged in such cases was not agreeable to CFA/Suppliers. This contravenes the provisions of of SOP, which provides for consultation with the IFA post-contractual matters.
16. It has been noticed that in the event where the total amount for the project is finalized well bellow the funds provided for, the balance amount is not being re-appropriated by Command HQ for some other formation's project but on the contrary, there is a tendency to spend it on purchase of more hardware, stationery or consumables on flimsy grounds.
17. Some of the cases have come to notice during TPC where cost of the project has escalated beyond budget allocation due to incorrect assessment of prices. To bring the cost of projects within the limit of budget, the executives have proposed to reduce the quantities of items instead of obtaining additional funds, which is not a healthy practice.

Suggestions for Improvement

1. In view of fast technological changes, the projects processed for sanction, say after over six months of the technical vetting of the ADG

(IT), may require re-vetting of technical specifications in order to avoid procurement of obsolete items.

2. Proposals on I.T. related projects should be planned and processed in such a way that items involving long lead time are not procured to avoid carry over liabilities. In other words, the proposals should be prioritized and split into phases for each financial year. This would facilitate proper accounting as well as implementation of projects.
3. It is desirable that requirements of units/formations under IT are consolidated and processed centrally at the Command/Corp HQrs. This would ensure uniformity of specifications and economical procurement due to economies of scale. This would also reduce the number of TECs/TPCs required to be held.
4. The officers handling IT procurement, including reps of IFA/CDA, should be exposed to formal training programmes so as to enable them to competently handle their assignments.
5. It has been observed that due to the delay in receipt of allotments and late initiation of proposals, the entire process of issuing sanctions, calling for quotations and finalization of orders etc has been pushed to the fag end of the financial year. At times, this leads to pressure on the vendors to supply items within short periods. Accordingly, it is strongly recommended that the allotment of funds should be made in a manner, which may permit an orderly and systematic finalization of the procurement process.
6. A detailed/standardized SOP has been issued in January 2001 with amendments as and when necessary, all concerned CFAs should ensure and IFAs should check that all proposals/ procurement are in line with the SOP.

PROCUREMENT PROCEDURE OF AUTHORISED LINE COMMUNICATION FACILITIES FROM TELEPHONE ADMINISTRATION GRANT

Telephone Administration Grant (TAG), under Major Head 2076, Minor Head 800, Sub Head B has been authorized for meeting the revenue expenditure requirements related for improvement of communication needs of the Army.

2. The financial powers related to TAG have been laid down in the following letters:

(i) Govt of India, Min of Def letter No. B/477768/Gen/Sigs 7 (a)/D(a)/D(QS) dated 15 Oct 96:

(ii) Govt of India, Min of Def letter No. PC-88896/FP-1/1722/99/D(GS-I) dated 09 Nov 1999:

(iii) MOD No. A/89591/FP-1/693/2002/D (GS-I) dated 22 April 2002;

(iv) and MOD No. A/89591/FP-1/1974/2006/D (GS-I) 26 July 2006.

3. The scope of procurement out of 'TAG', as given in broad terms in the letter at Appendix 'A' is still valid. TAG is to be used for any equipment or system for improvement of communication infrastructure of the Army. Due to technological revolution taking place, all future communications will be based on Data Networks and both, the communication and Information Technology systems will coverage on the same media infrastructure, TAG will be used for development of such infrastructure which is to be commonly utilized by communication and IT networks.

4. Powers in Consultation with IFA/CDA

All Procurement of Tele Adm Grant under this will be effected after prior concurrence of the appropriate IFA/CDA. This implies that the IFA/CDA be associated at the following stages:-

a) Acceptance of Necessity prior to the approval of the CFA

For acceptance of necessity and vetting of financial and other terms and conditions of the draft tender enquiry (T.E) by the IFA/CDA, IFA shall do a careful and intelligent scrutiny of individual proposals from the necessity angles so as to ensure that, while meeting the requirement of operational urgency, due care is taken to achieve the economy, efficiency and propriety in public expenditure and ensure the effectiveness of the expenditure incurred. The IFA concurrence for the acceptance of necessity and vetting of draft T.E. shall be given within 10 working days of the receipt of proposal.

b) At Tender Purchase Committee and Price Negotiation Committee (TPC & PNC) Stage

After conclusion of the proceeding by TPC/PNC, a summarized Decision Sheet will be prepared which will contain decision points in brief and the same will be signed by all Members of the PNC including the Finance Representative. The formal minutes of the TPC/PNC meeting will be sent on file with complete papers/documents to IFA/CDA for financial concurrence and the vetting of draft supply order, before the TPC/PNC report is put up to CFA for sanction of the purchase.

(c) Post contractual monitoring having financial implications such as Delivery Period (DP) extension. waiving of liquidity damages, risk purchases and issue of corrigendum to the supply orders etc.

5. TAG is allotted to DG Signals by FP Directorate every Financial Year, based on projections made at Budget Estimates (BE) and Revised Estimates (RE) stages. These are further distributed to Army HQ Signals and all the Command Headquarters.

PART-I- STEPS INVOLVED FOR PROCUREMENT

Preparatory Activities Essential for Procurement

6. Preparatory activities would generally follow the seven steps a given below:-

a) Step 1. Statement of Case along with the draft Request For Proposal (RFP)/TE) giving all the Qualitative Requirements (QRs) and/or Operational Requirements (ORs) will be put up by the user to the CSO Comd/Corps/Area/equivalent authority at other HQrs, to include the following aspects, besides others:

- (i) Present System
- (ii) Existing resources and their usage
- (iii) Proposed system including upgradation if any required, with broad system architecture.
- (iv) Outputs desired from the system
- (v) Benefits likely to accrue.
- (vi) Feasibility of buy back provision
- (vii) Requirement of training of users, if applicable, to be clearly specified.
- (viii) Financial effect.

- (b) Step 2. Approval of the requirement in principle by the authorities stated in sub para (a) above after the necessity is concurred and RFP (TE) is vetted by the IFA/CDA.
- (c) Step 3 Issue of RFP/tender enquiry, inviting quotes in two parts as under:-
- (i) Technical offer with detailed technical specifications.
 - (ii) Commercial offer.
- (d) Step 4. Evaluation of technical offer/bid by a duly constituted Technical Evaluation Committee (TEC) under the orders of CSO Area/Corps/Comd, Comdt AHQ Signals, Cdr ANC or equivalent authorities. The TEC shall prepare minutes and give its clear-cut recommendations.
- (e) Step 5. Opening of Technical quotes.
- (f) Step 6. Vetting of technical specification by a duly constituted Technical Evaluation Committee (TEC) under the orders of CSO Area/Corps/Comd/ AHQ Signals/Cdr HQ ANC or equivalent authorities.
- (g) Step 7. Recommendations on the TEC report by the intermediate formation HQs.

Dealing with Actual Procurement Procedure

- (a) Step 1 Constitution of PNC by CSO Comd/ADGT. For projects whose value exceeds Rs 5 Lakhs, the PNC will invariably include an IFA/CDA rep. In case of projects whose value is less than Rs 5 Lakhs, concurrence of the respective IFA will be obtained prior to the negotiations by the PNC. In case of all projects of Army HQs, IFA concurrence will be obtained through Sigs 2 prior to the constitution of PNC by Sigs 2.
- (b) Step 2 Opening of commercial quotes by the PNC.
- © Step 3 Preparation of price performance report.
- (d) Step 4 Negotiation with the vendor with the lowest quotes i.e. with 'L1'.
- (e) Step 5 Approval of the PNC proceedings by CFA and financial sanction by CFA.
- (f) Step 6 Issue of letter of Intent / supply order by the user.
- (g) Step 7 Contract formulation with the selected vendor by the user.

(h) Step 8 Release of payment by the CFA to vendor through CDA as per the conditions of the contract.

(i) Step 9 Monitoring of contractual obligations and off set payment for non-compliance by the user.

Technical Approval by the CSO Comd/ADGT

7. Processing the case for according Technical Approval based on TEC report by CSO Comd/ADGT. In cases where the SO-in-C/the DCOAS (T&C) are the CFA, the final Technical Sanction will be accorded along with the financial sanction, if found satisfactory in all regards.

PART-II- DETAILED PROCUREMENT PROCEDURE

Preparation and Issue of Tender Enquiries

8. Tender Enquiry

The invitation to tender and the instructions to the tendered are important documents, as firm's quotations (Tender) are based on these inputs. The tender enquiry should therefore, be carefully scrutinized and should set out in unambiguous terms, the requirement of the purchaser as to the description of the stores, technical/general specifications and, quantity, delivery period, commissioning schedule payment terms, AMC cost, training cost, etc. Standard financial terms and conditions may be devised for different categories of tender enquiries in consultation with IFA/CDA. A two-bid system of obtaining technical and commercial bids, in two separate scaled envelopes, will be followed. Formats for technical and commercial responses should also be issued in order to avoid any ambiguity or vagueness in the responses. Apart from following Open tender system as a general rule, the tender enquiry will also be issued to PSUs/SGUs and selected private vendors of repute, who are able to offer equipment/systems approved by the Telecommunication Engineering Centre (TEC) of the DOT. The systems which are not required to be integrated with DOT system and do not have TEC approval will be projected to AHQ for necessary waiver with the approval of MOD.

9. Method of Purchase

The enquiry may be as broad based as possible. As per General Financial Regulations (GFR), all purchases above Rs. 25 lakhs are generally done through open tender. However, due to the specialized nature of the

equipments the tender enquiries should be issued to all registered/known suppliers besides following Open tender system. Care will be taken to address the enquiry only to the OEMs (Original Equipment Manufacturers) or their authorized dealers/partners, and NOT to any trader. However in case of field units, exceptions may be made to this rule, with prior concurrence of the CSO Command, depending on type/nature and Value of the project. The reasons for exception should be recorded in TEC proceeding.

10. **Payment Terms**

The payment should be well spread over the complete implementation cycle of the project/procurement, such as delivery of hardware and its acceptance, setting up of network, complete integration etc. The suggested guidelines given below can be suitably adapted based on the nature of a specific project:-

50% of the total project cost less cost of training and application software may be paid on delivery of the hardware and networking components.

40% of the total project cost less cost of training and application software may be paid on satisfactory installation and Acceptance Testing of the hardware and networking components.

- (a) 10% of the total project cost paid on satisfactory performance the system, integration of all the components in the network environment and on rendering of satisfactory performance report by the user (within a period of 30 days).
- (b) A performance Cum – Warranty Bank Guarantee for 10% cost of the project will be obtained from the vendor for the duration of warranty of the equipment/system, within 30 days of placement of supply order/contract or the first payment whichever is the earliest.
- (c) Total cost of training and application software may be paid on successful completion of training (including on the job training) as specified in the tender.

11. **Annual Maintenance Contract (AMC)**

Procurements that require to be covered by a Post Warranty AMC and whether the AMC costs will be included while evaluating the project cost should be clearly stated in the tender enquiry. As a general rule, AMC cost will be included to evaluate the overall project cost, for deciding the L1 bidder but NOT for the CFA sanction. Before including AMC cost for determining L1, the following aspects will be considered. (It should be clearly indicated in the tender enquiry whether or not AMC will be included to reckon total cost of project for determination of L1 vendor.)

- (a) The period over which AMC cost is to be added to the project cost.
- (b) The responsibility of AMC charges while loading the AMC cost to determine the L1. In case of the firms becoming lowest due to addition of AMC charges for the specified period, necessary Financial Guarantee is required to be obtained to enforce the AMC in future. The TPC shall suggest the quantum of financial guarantee to be obtained from the firm which shall also be accepted by IFA and CFA. It shall be done before the placement of supply order.

12. **Tendering**

Open tendering should be done as a general rule. Due to peculiar requirements in the Telecom field and vast proliferation of all types of vendors and suppliers, supply of locally assembled substandard products is quite likely. Moreover, technical capacity and expertise of the vendors is a very important aspect that must be objectively considered for any project. Hence simultaneously also issuing tenders to short-listed vendors of repute, (preferably to OEMs or their authorized dealers) may therefore be essential to get the requisite quality and competition. IFA/CDA should be informed of the formalized list of vendors. Procurement on single tender or PAC basis may be as per DPM 2006 provisions.

13. **Vendors Lists**

A list of approved vendors will be maintained and upgraded by all the CFAs on regular basis. The vendors should be classified for different services offered like turnkey solutions, software development, consultancy, networking, EPABX and other switching/multiplexing eqpts, system integrators etc. The vendor list will be updated and enlarged from time to

time based on interaction with the Ministry of Communications and the BSNL. The telecom Engineering Centre (TEC) of the DOT, the Ministry of Information Technology, DGS&D, industry, Organizations such as CH, MAIT, NASSCOM etc. and through pre-qualification exercises. List of approved vendors will be forwarded by all the Commands to DG Signals (Sigs 7), Army HQ for record once every year by 01 May. Such lists will also be sent to CDA/IFA concerned by Commands and to IFA by DG Sigs every year. At the same time, any vendor who fails to perform satisfactory repeatedly for more than one project may be deleted from the vendor list after satisfying the CSO Command that no injustice is being done to the vendor. Such information will also be communicated to DG Signals (Sigs 7) and IFA/CDA.

14. Technical Evaluation

Evaluation of any comn system proposed for procurement will be done on the basis of specified QR parameters clearly weighed, against inter-se-priorities and different makes of equipment evaluated on a common basis. Wherever considered desirable and feasible such evaluation should be done on the basis of its performance and degree of satisfaction of the identified parameters and qualitative judgment should be incorporated. The equipment can also be called for demonstration at no cost no commitment basis. The TEC should only classify eqpt as technically acceptable or technically not acceptable giving reasons for non-acceptance, which should strictly be limited to those parameters of the RFP (Request for proposal) which are not met. In case of equipment being introduced for the first field trials may be considered. TEC should obtain the information on the past performance of bidders. For this purpose they should obtain the details of past supplies by the Firms to various Govt department/Public Sector Units, which may require that Firms should provide copies of supply orders placed on them by other Department.

15. IFA Concurrence

Prior Concurrence of the CDA/IFA will be obtained on file including vetting of Supply Order prior to the CFA sanction. IFA shall carefully check the level of CFA having delegated Financial Power and shall verify the correctness of procedure before giving the concurrence. The availability of budget should be clearly indicated. Such concurrence shall be given within Seven Working days. IFA/CDA will indicate U.O no and date of his office file on the forwarding memo containing draft Supply Order and this will prominently shown on the final Supply Order to be issued.

16. **Sanction by the CFA**

The sanction by CFA would then be obtained based on TPC/PNC report. In case the CFA is the DCOAS (T&C) or the SO-in-C, all relevant documents viz, TEC and TPC/PNC reports duly approved by CSO Command along with his recommendations will be forwarded to DG Signals (Sigs-7). CDA office under whose jurisdiction the procurement lies and who would be making the payment should also be clearly stated. The following documents/information will also be furnished.

- (a) Copy of RFP
- (b) Original tenders.
- (c) TEC report
- (d) TPC Minutes & recommendation.
- (e) Comparative statement of tenders
- (f) Certificate of availability of funds.

17. The TPC/PNC report shall be approved for sanctioning by the CFA under whose financial powers the project is being executed and sanction for the project accorded. The formal sanction of the CFA will clearly specify the name of the firm and total financial implication for the project. The sanction will be signed by the CFA.

18. **Association of IFA/CDA with Post-Contractual Developments having Financial Bearing.**

The IFAs/CsDA will also be fully associated with the post-contract stage developments having financial bearing like grant of extension of time, waiver of liquidated damages and risk purchase etc. in other words, the prior concurrence of IFA/CDA will be obtained in such matters.

Other Important Points

19. **Opening of Tender** Consequent to opening of the bids, following actions are to be completed.
- Tenders of different vendor's should be numbered serially, initialed and dated on the front page.
 - Each page of the schedule or letter attached to should also be initialed with date.
 - Price and delivery period should be encircled and initialed.

20. **FAX or Letter Quotation** FAX or letter quotation may be considered if the same is followed by the formal tender within three days provided such telegraphic/letter /fax quotations are complete in all respect with regard to price, specifications, delivery and other particulars essential for taking purchases decision. If the board of officers /TEC feels that acceptance of late tenders is necessary in the absence of adequate competition, such quotations may be considered for acceptance with the approval of convening authority.

21. **Scrapping of Tenders** Scrapping of tenders and issues of fresh tender enquiry should be an exception rather than a rule, where the quotations received do not conform to operational requirement or when prices quoted are considered in approval of CSO Command /ADGT should be obtained before scrapping of tenders.

21. **Proprietary Items Procurement**

Proprietary items procurement may be resorted to, based on the furnishing of the certificate to that effect by the supplier and acceptance of the same by the user. In the case of expansion or replacement of existing, in use hardware to increase the capacity or software features of communication system, procurement from the original supplier may be resorted to on a single vendor basis for ensuring compatibility. The TEC report should clearly state this aspect. Care should be taken to include this aspect in the original contract for such items to include this aspect in the original contract for such items of hardware /software, which may require an up-gradation on a later date.

22. **Composition of Price Negotiation Committee.**

Composition of the PNC is dependent on the value of item, under consideration for procurement. This would be as follows: -

Sr.No	Value Limits	Composition	Approving Authority	Remarks
(a)	Less than 20 Lakhs	(i) Col Comn/ - Chairman Co Unit ii) User rep - Member (iii) Rep of IFA - Member (iv) Tech rep - Member	CFA	File to IFAfor concurrence before placing of supply order in case CDA rep is not available
(b)	20 To 50 Lakhs	(i)DCSO Comd/ - Chairman CSO corps/ CSO Area (Brig) (ii) User rep - Member (iii) Rep of IFA - Member (iv) Tech rep - Member	CSO Comd	

23. PNC Procedure

- (1) Vendor responses will be sought in the form of sealed price bids only. PNC may be composed at the appropriate levels depending on importance of the store under procurement and likely financial outgo of the proposal. The Chairman shall nominate such designation already stands made in the order establishing the PNC. At this stage, the PNC is expected to obtain price data of similar comparable equipment and to also assess a reasonable price range and on technical evaluation, to provide a benchmark against which offers have been received. During its first meeting itself, commercial offers of only those firms will be opened, whose technical offers have been found acceptable by the TEC. The PNC shall maintain self-speaking record of its work in chronological order. This record shall be page numbered, stitched and signed by the Chairman PNC on the opening page, which shall indicate total number of pages in the bound volume, each page of which shall be initiated by Secy PNC or officer nominated by the Chairman PNV.
- (2) Bids of the competing firms shall be read out to all present and signed by the Chairman. The PNC shall undertake a detailed examination of these bids and in its report (to be submitted to higher authorities on

file), furnish reasons in favour of its recommendation for acceptance of a specific bid. Report of the PNC shall be signed by all the members.

- (3) The PNC should prepare a comparative statement of the offers received and assess the reasonableness thereof.
- (4) Once a final view has been taken by the PNC, it shall invite representative(s) of the firm with the lowest financial quote (L1) for financial/contractual negotiations and finalize important issues of the contract to be executed later.
- (5) Meetings of the PNC shall be attended by all members. No member shall be authorized to nominate his subordinate officer to attend a PNC meeting.
- (6) Sanction by the CFA The sanction by the CFA would then be obtained based on PNC report. In case the CFA is the SO-in-C, all relevant documents viz; TEC and PNC reports duly approved by CSO Comd along with recommendations will be forwarded to DG Signals (Sigs 7). The following documents/information will also be furnished.
- (7) An assessment of reasonableness of the cost as per prevailing Market rates.
- (8) Certificate that funds available are sufficient to meet existing commitments and additional procurement liabilities.
- (9) CDA office under whose jurisdiction the procurement lies and who would be making the payment should also be clearly stated.

**DELEGATION OF SPECIAL FINANCIAL POWERS TO SANCTION
EXPENDITURE ON ANY OBJECT ENUMERATED IN RULE 58(A)**

Authority:- GOI, MOD letter No.PC-A/89589/FP-1(iii)/ D(GS-I) dated 1/4/98 as amended vide corrigendum dated 26/10/98, 24/5/99;
GOI, MOD No. A/89591/FP-1/693/2002/D(GS-1) dated 22.4.2002; and
MOD No. A/89591/FP-1/1974/2006/D (GS-I) 26 July 2006.

1. Under the above quoted Govt. Orders, revised financial powers have been delegated to the various authorities in the Army, in partial modification of those prescribed in schedule I, Appendix II – Part I – Army to Financial Regulations part I (Volume-II), to sanction expenditure on any of the objects enumerated in Rule 58(A) FR Pt I. These powers are for sanctioning expenditure on any of the objects enumerated in Rule 58(A) FR Pt I.
2. The details of the revised financial powers delegated and the functionaries to whom these have been delegated are contained in the Schedule I of MOD letter dated 26th July 2006 (see Volume I).
3. The objects on which expenditure can be sanctioned under these powers as enumerated in Rule 58 (A) FR Pt. I are:
 - (a) Each item of contingent expenditure on account of any workshop including ordnance and clothing factories, bakery, store depot, hospital, military farms or Remount unit and Army Postal Services, other units/formations and category 'A' establishments .
 - (b) Temporary establishments or labour in excess of fixed scales .
 - (c) Manufacture or issue of special tools and equipment or other articles for experimental purposes or for expediting production
 - (d) Rewards for information leading to the conviction of incendiaries or for the recovery of stray cattle.

- (e) Rewards for specially prompt and meritorious action in connection with extinguishing of fires and the saving of life and property from damages arising there from.
- (f) Rewards for information leading to the conviction of personnel accused of bribery and corruption.
- (g) Govt. servants shall also be eligible for the above rewards in respect of acts other than those performed in their official capacity.

Note : In addition to the objects on which expenditure may be sanctioned (under Rule 58 A), the officers of the Army postal services may incur contingent expenditure on account of any Army Postal services establishments upto the amounts shown in schedule I, Appendix II- Part I Army to Vol. II of FR Pt I.

- (h) Rewards for information leading to the prevention of theft from departments of supply and EME units/establishments.
4. Expenditure on tests, trials and experiments within the annual appropriations placed at the disposal of Director of Ordnance services, Director of Mechanical Engineering and the Director of Technical Development, or within the monetary limit fixed for these purposes, without reference to the financial limits prescribed in Appendix II to Vol. II of Fr. Pt. I provided that the prior concurrence of the financial adviser is obtained.
 5. Expenditure on tests trials and experiments by the Commandants Armed Forces Medical College, Poona from the Annual appropriation placed at the disposal of the Director General Armed Force Medical Services.
 6. The Govt orders also lay down further stipulations in the matter of various functionaries exercising the revised financial powers under these orders they are:
 - (a) The revised financial powers relate to expenditure met from the Defence Services Estimates and are to be exercised subject to the availability of funds in the budget of the financial year.
 - (b) The expenditure incurred under these orders is debitabale to Major Head 2076 Minor Head 800 and respective code head.

- (c) Exercise of these powers will be governed by the instant orders and procedural instructions like observation of general economy etc issued by the Govt from time to time.
- (d) These financial powers will be exercised by the various functionaries independently and in consultation with the designated officer(s) as nominated by the respective IFA/CDA.
- (e) These powers are to be exercised by the various functionaries only and not delegated to any of their staff officers

7. For other objects of Rule 58(A) of FR Part I Vol. I the powers delegated in Govt. letter dt.1/4/98 as amended by letter dated 26.7.2006 will be applicable.

8. As could be seen from the above and the enclosed Annexure the delegated powers as revised are very substantial and the powers are in two categories i.e. one the powers that could be exercised by the CFAs on their own without consulting the IFA/CDA and the other set where the powers are exercised in consultation with IFA. These powers relate to sanction of expenditure under contingent and miscellaneous head. The powers delegated to Engineer functionaries are to be exercised subject to the provisions relating to expenditure out of Field Practice and Training Grant (FPTG) prescribed in A.I. 131/53. The functionaries to whom powers have been delegated cover practically all types of units/formations/ establishments, educational and Training Institutions, cat 'A' establishment etc. The powers delegated are exercisable only in consultation with the IFA/CDA. It is expected that, with the association of finance at the very initial stages of expenditure proposals these would be scrutinized objectively to ensure efficiency, effectiveness and economy in expenditure out of public funds. This also casts a responsibility on IFAs who have to ensure the justification, propriety, quantum necessity and timing etc of expenditure in every case. All these along with other relevant factors have to be kept in mind by IFAs while dealing with expenditure proposals received for financial concurrence.

9. Keeping the importance and urgency the proposals for expenditure have to be examined from financial angle and dealt with promptly and without any delay. The proposal should be examined on merits dispassionately with an open mind and positive approach. As IFAs are part of management in the decision making process under the IFA scheme there is need to carry the executives along by persuading and making them

appreciate our point of view and the basis thereof. As the financial powers are in two categories cases may arise where though these are within the financial competence of lower CFAs, higher CFAs are approached for sanction instead of the lower CFA going to his IFA for concurrence. While this may not be objectionable the fact remains that in the process the CFAs – both the appropriate lower CFA and also the higher CFA lose the opportunity of the benefit of the sound and beneficial financial advice from the IFA. Such a course also leads to defeat the intentions of Govt. and the spirit of the Govt. orders as also the IFA system itself. These have to be put across suitably at appropriate levels with the request to them to observe the spirit of the delegation and the IFA scheme under which the enhanced delegation is made.

10. In addition to what has been mentioned at paras 3 to 6 above, the following guidelines are laid down for IFAs for scrutiny of expenditure proposals for financial concurrence.

GUIDELINES

General

- (a) As the expenditure against the various objects mentioned in Rule 58(A) FR Pt I is out of Miscellaneous and contingent Grant, fund availability in the budget of the financial year has to be ensured scrupulously in every case.
- (b) The proposals initiated are on the lines laid down in Govt of India Min. of Def. letter No.48503/Q/ST-11/4810-B/D(QS) dt. 23/9/92 and subsequent orders. Processing, clearance etc of the proposals should also be in the manner laid down therein. These orders, *inter alia*, provide.
 - (i) The proposals should be detailed, comprehensive and self contained and should be as regular noting on files.
 - (ii) Financial concurrence will be accorded in writing and will be with reference to notings.
 - (iii) IFA can ask for any additional data/information relevant to the case and these will be provided to him.
 - (iv) While meetings and discussions are not precluded, these are no substitutes to regular notings. In cases of extreme urgency

where time does not permit floatation of regular files, decisions could be taken during meetings/ discussions but such cases should be followed immediately by regular notings/files and financial concurrence will also be recorded in writing.

- (v) Whether the item of expenditure proposed is genuinely and normally covered under the miscellaneous head of account and is fully in consonant with the scope of the objects defined in Rule 58(A) of FR Pt I?
- (vi) The delegated powers do not lead to excessive use or abuse.

SPECIFICS

In addition to the points and general guidelines mentioned in the preceding paras, the under mentioned guidelines which are more specific in relation to the various objects of expenditure laid down in Rule 58 (A) FR Pt I are prescribed.

a) Contingent expenditure

- (i) What is the proposal for and is it an item which appropriately falls under contingent grant? Is it expenditure, which is required to be incurred to run that organization for the normally intended purposes?
- (ii) Items of expenditure though contingent in nature for which separate allocation/provision exists are not charged to contingent expenditure.
- (iii) What is the quantum and value and how does it compare with that on the last occasion and what are the reasons for large variations, if any?
- (iv) Is the quantum projected justified in relation to requirements and in comparison to the last occasion?
- (v) Is the charge an authorized and legitimate one and is within scales?
- (vi) Is there any possibility of reducing the quantum in the light of past usage/consumption?

- (vii) In respect of new items it does not lead to introduction of new practice.
- (viii) In respect of purchases whether the tendering procedure adopted is proper, rates are reasonable with reference to past procurement and market rates, is there adequate response and competition, the tenderers are reputed and established suppliers, their past performance; is satisfactory/established is there need for re-tendering; how is the quality of supplies ensured?
- (ix) Temporary establishment/labour in excess of scales.
- (x) What is the proposal and what is the number to be employed and for what duration?
- (xi) The necessity for engaging temporary establishment or labour.
- (xii) What is the authorization in the PE/WE for the categories in which to be employed and what is the specific item of work on which to be employed?
- (xiii) Is the temporary establishment coming up for the first time or this has been continuing; in either case how the requirements have been worked out and is it in accordance with the norms on which PE was authorized?
- (xiv) If the proposal is coming up for the first time, since when the deficiency exists and how the requirement were met till now and the work managed?
- (xv) Is there any change in the composition, functions, workload necessitating additional manpower and if so, since when, what is the additional workload and what is the requirement of additional man-power based on authorized scales, how does this compare with that proposed?
- (xvi) In respect of proposals for labour it has to be examined with reference to sanctioned existing authorized number and the workload for which sanctioned; any additional workload and how long the additional load will continue;

additional requirement as per scales for the additional workload?

- (xvii) What is the pattern and extent of utilization of the presently authorized labour by spelling out clearly and precisely the items of work on which these are employed; similarly in respect of the number proposed to be engaged?
- (xviii) If the engagement of temporary establishment and labour have been going on for sometime since when and for how long these have been continuing, are the same individuals continuing?
- (xix) How is the temporary establishment and labour being engaged? Is it through Employment Exchange and no irregularities have been committed?
- (xx) Are the rates the Govt. approved rates or derrick rates?
- (xxi) Is the period of engagement at a time within the maximum period laid down by the Govt for such engagement and their services are terminated at the end of this period and even if the same people are employed again they are taken afresh following laid down procedure; in other words the service is not allowed to become continuous beyond this period otherwise this would incur problems and liabilities to the Govt?
- (xxii) The number proposed is not excessive in relation to requirements.
- (xxiii) Manufacture or issue of special tools and equipment or other articles for experimental purposes or for expediting production.
- (xxiv) These items will have relevance more to manufacturing units and as such the powers under this item will come into play in the case of EME Workshops and Engineer units. These powers will, therefore, be used by EME functionaries mainly.

- (xxv) What is the proposal for and what are the items proposed to be manufactured or issued, what is the quantity involved and value?
- (xxvi) What is the purpose proposed to be achieved and when, by whom? Whether it is part of a project undertaken by Army or DRDO?
- (xxvii) Does the proposal involve any fresh procurement and if so is the item proposed to be procured for any use/utilization after completion of the work covered by the proposal?
- (xxviii) Is the item procured already held by Army and if so is it not available with ESDs etc?
- (xxix) On what basis the quantity for manufacture/issue worked out and what is the justification for the number proposed?
- (xxx) How the value has been arrived at?
- (xxxi) Has the requirement been vetted by competent technical authorities?
- (xxxii) In the case of manufacture is it to be got done in the EME workshops or from civil firms; if it is to be got done in EME workshops, do they have the required skills, expertise and infrastructure facilities for the manufacture?
- (xxxiii) Will this work have any effect on the execution of the normal items of work/annual repair programme etc of EME workshops?
- (xxxiv) In the case of purchases whether the laid down tendering procedure has been followed, response is adequate, rates are competitive, and reasonable.
- (xxxv) Past performance and capabilities of suppliers have Been established.
- (xxxvi) Are there any alternatives to meet the requirement more economically?

(b) Rewards

- (1) Rewards for information leading to the conviction of incendiaries or for recovery of stray cattle.
- (2) Rewards for specially prompt and meritorious action in connection with extinguishing of fires and the saving of life and property from damages arising therefrom.
- (3) Rewards for information leading to the conviction of personnel accused of bribery and corruption.
- (4) Rewards for information leading to prevention of thefts from departments of supply and EME units/establishments.

Following should be checked:

- (i) What is the proposal for, what is the amount involved, what are the special circumstances/merits based on which the reward has been proposed, who are the recipients to be of the award. Are they Govt. servants?
- (ii) In the case of rewards under (2) and (3) above the financial limits of sanction under note 1 to Rule 58(A) of FR Pt I are observed.
- (iii) As the cases relating to the above types of crimes/incidents normally falls within the jurisdiction of local civil authorities/police, occasions where army authorities have to give away rewards by involving these orders should be very rare. These have therefore to be invoked only in really exceptional cases necessitating special treatment.
- (iv) If a reward is already announced by civil authorities or by the affected parties proposals for payment of reward under these orders out of defence funds should be subjected to a very critical scrutiny as to its need.
- (v) If the recipient is a Govt servant it should be ensured that none of the rules applicable to him is violated.

- (vi) The meritorious action for which reward is proposed to a Govt servant does not fall within or performed in their official capacity or in their normal duties/function.

(c) Expenditure on test

- (i) Expenditure on tests, trials within Annual appropriations placed at the disposal of DGOS, DGEME, Director Technical Development.
- (ii) Expenditure on tests, trial experiments by the Commandant AFMC out of the Annual Appropriations placed at his disposal.
- (iii) What is the proposal for and whether the tests, trials, experiments etc are in direct relation to the assigned role and activities of Ordnance services, EME corps?
- (iv) The expenditure proposed is within the annual appropriations placed at the disposal of these authorities and adequate funds are available there under.
- (v) Size of tests, trials and experiments proposed and the expenditure involved have been vetted and certified by the competent technical authorities.
- (vi) What is the duration of the tests/trials/experiments and do they involve any additional infrastructure inputs?
- (vii) Will they affect the normal functions and activities of EME/Ordnance units/establishment and if so what is the impact and financial implications?

(d) Powers exercisable by Engineer Functionaries

The powers delegated and exercisable by the Engineer functionaries is subject to the provisions contained in A.I. 131 of 1953 and also in Appendix 2 of FR Part II. This Army instruction lays down the detailed procedure governing the administrations and expenditure under the Field Practice and Training Grant (FPTG). The main provisions of this A.I. are:

1. The FPTG is a grant made to the Engineer in Chief to enable him to exercise administrative control over training of the corps of

engineers and over its expenditure. The E-in-C will make allotments to the Chief Engineers (Commands) and to the Commandant, College of Military Engineering. The Chief Engineers may sub allot the amount to Engineer groups and Engineer regiments or incur expenditure in connection with the training of engineer units and training establishments.

2. Some of the illustrative examples for the purposes on which expenditure can be incurred out of FPTG are given below.
 - (a) Canons of financial proprieties are not to be violated.
 - (b) An officer in charge FPTG can, with the concurrence of the CDA, sanction any charge not specifically mentioned below which is considered necessary for the training of the engineers and which would otherwise require the sanction of Govt. of India.
 - (i) Purchase of special items of engineer stores, tools and plant not included in Equipment Tables
 - (ii) Casual labour for training requirements (e.g. handling of stores, manufacture of special articles etc).
 - (iii) Purchase or manufacture of training expenditures and any TA expenses in connection with the inspection of such equipments.
 - (iv) Cost of repairing stores, tools and plants purchased out of FPTG (Expenditure on POL and on stores/equipment issued to engineer units/formations will be debited to normal heads of account and not to FPTG. Similar is the case with expenditure on move by rail of vehicles, engineer plant, ammunition, unit stores, escort, car drivers, supervisory and maintenance staff for the purpose of training of engineer units).
11. The officers in charge of FPTG for purposes of sanctioning expenditure are Chief Engineers of Commands.

Commandant CME

Chief Engineer corps/ Dy.Chief Engineer Corps.
Commandant Madras, Bengal, Bombay Engineer Group.
Commander Docks and Inland water Transport Engineer.
Command Railway Engineers.
Officers commanding an independent engineer unit.
(provided authorized by the Chief Engineer Command)

Stores, tools and plant will, wherever possible , be obtained from the normal supplying departments (eg Ordnance, ESDs, ASC etc)

12. Financial powers of the various authorities for direct purchase of stores, tools, plant when urgently required and when delay is detrimental to the training, under rule 480 RAI, also included in Appendix 2 of FR Part II as revised under various Govt orders for any single transaction are as under:

13. The A.I. also lays down in detail the accounts to be maintained method of accounting and accounting documents, disposal of surplus stores, accounts to be produced for audit, method of obtaining funds from the CDA and its accounting, accounts to be submitted to the CDA and its periodicity, reports and returns to be submitted etc.

14. While dealing with such expenditure proposals the various important provisions of AI 131/53 have to be kept prominently in view and compliance of the various requirements and provisions thereof ensured. The size and volume of expenditure proposed together with the justification and propriety thereof will be examined in relations to the size of troops for training and the nature and content of training. The other points in respect of other types of expenditure referred to above are also relevant to the extent applicable.

Local Purchase of Training Aids Stores under Tech Grant

1. The cost of local purchase under the head will be debitable to MH-800 B(e).
2. The items purchased under this head will be such to improve the technical efficiency of the EME units.

3. The items purchased under this head should not be authorized in the WET/PET of the units.
4. These powers will be exercised for any one order placed for any one type of item.
5. The purchase order cannot be split up into convenient amounts to agree with the purchasing officer's financial powers.

Defence Works Procedure 1986

STANDARD OPERATING PROCEDURE (SOP) FOR EXERCISING ENHANCED FINANCIAL POWERS

GOI, MOD letter No.3(7)/93/D(Works) dated 26.8.98 as amended from time to time;

GOI, MOD No. A/89591/FP-1/693/2002/D (GS-I) dated 22 April 2002; and
GOI, MOD No. A/89591/FP-1/1974/2006/D (GS-I) 26 July 2006.

2. The Major Works Program/Annual Works Program as approved by the Ministry of Defence in consultation with Ministry of Defence (Finance) will be communicated to the Service Headquarters, lower formations and their IFAs including regional CsDA for implementation. The CFAs in services and their respective IFAs will ensure that only those works, which are included in MWP/AWP, are processed for issuing Administrative Approval.

3. The Services HQrs. with the approval of MOD & MOD (Fin) will also communicate the maximum financial ceiling upto which works within the approved MWP/AWP could be sanctioned by the various CFAs with the concurrence of their IFAs. They will also communicate total allotment of funds for new works which could be released and monitored by the Regional PCDA/CsDA, PCDA (Navy), PCDA (AF) and their lower IFAs.

4. On receipt of approved MWP/AWP, CFAs will convene a Recce-cum-sitting-cum-costing boards for the works falling under their delegated powers.

5. The finalized Board Proceedings will be approved by the CFAs and forwarded to the Zonal Chief Engineer for preparing the approximate estimates.

6. Generally, there will be four main stages in a project for original work i.e. the Acceptance of the Necessity, Administrative approval, Release of funds and Technical Sanction. However, in case of Army Projects, the acceptance of necessity and Administrative approval stages may be combined together as the vetting of necessity, vetting of approximate estimates and concurrence by IFA (Army) or CsDA (Army), as the case may be, can be done simultaneously. In case of Air Force and Naval Projects the Acceptance of Necessity and Administrative approval will be done in two distinct stages as the vetting of approximate estimates is to be done by respective CsDA of Navy & Air Force and CsDA (Army).

7. The Acceptance of Necessity and Admin Approval will be accorded by the CFAs with the concurrence of concerned IFAs on the basis of the detailed scope of work, rough cost indicated in the Board Proceedings and the approximate estimates prepared by the Zonal Chief Engineers scrutinized by the Command Chief Engineer/E-in-C's Branch. At the Services HQrs, scrutiny of A. Es. by the E-in-Cs Branch at will not be necessary for those works, which are to be sanctioned by the CFAs lower than the COAS, CAS & CNS. The letter conveying the Admin Approval will indicate the Budget Head from which funds will be provided for the work. Copy of the Admin Approval will be sent to IFA, Command Regional CDA, concerned Engineering Authority and also the concerned CDA within whose accounting circle the work is being executed and who is responsible for approved works.

8. After the issue of Admin Approval by the CFAs within the existing as well as enhanced financial powers, funds required for the work during the first financial year will be got released from the Regional Command Controllers of Army, PCDA (Navy), PCDA (AF) & their lower IFAs as the case may be. In Commands, where there are more than one CsDA (Army), the Army PCDA/CDA co-located with the command will be Command Regional CDA. In case of Eastern Command, CDA Patna will be Command Regional CDA. With the placement of dedicated IFAs now at the Service and Command HQrs, funds shall be released by the respective IFAs.

9. The release of funds will be intimated by the Controllers mentioned above to the concerned CsDA who are responsible for payment of bills.

10. While the expenditure against allotment will continue to be watched by the concerned Administrative authorities as per provisions of Financial Regulations, the IFAs and Regional CsDA functioning as IFA will also monitor this aspect for which they will maintain a register keeping records of works approved and funds released for the same during the first financial year. This will be ensured neither the overall MPW/AWP ceiling fixed for each command/service HQrs exceeds nor the funds for these new works released during the first financial year are beyond the allocations made for new works.

11. After issue of Admin Approval and release of funds, technical sanction will be issued by the competent engineering authorities as per existing procedure.

12. The existing procedure for acceptance of tenders, conclusion of contracts, issue of amendment and deviation orders etc. as also appropriation of funds will continue

14. The procedure in vogue for works ordered under para 10, 11 and 12 of Defence Works Procedure 1986 will also remain unchanged. However, Para 11 works can be sanctioned within the delegated powers in consultation with IFA within six months.

Arrangement made for handling of works cases vide GOI,MOD NO.3(7)/93/D/(Works) dated 26th august 1998

(1) IFA(Army), IFA (Navy) and IFA (Air Force) at the service Headquarters will accord financial concurrence in cases where COAS, CNS, CAS are the Competent Financial Authorities respectively within the Major Works Programme/Annual Works Programme of the respective Services determined by MOD/MOD (Fin).

(2) In case of formations below Army Headquarters and above the level of sub area, the financial concurrence within the Major Works Programme determined in MOD/MOD (Fin) will be accorded by CsDA (Army) functioning as IFAs within whose territorial jurisdiction the works fall. In the case of Sub Area/Bde, the financial concurrence will be accorded by the Jt CsDA (Army) as IFAs.

(3) In the case of formation below Naval HQrs and Air HQrs and above the level of sub area equivalent Navy and Air Force formations, the financial concurrence will be accorded by PCDA (Navy) and their IFAs and PCDA (Air Force) and their IFAs as the case may be.

(4) In respect of the powers exercised at the level of Service Headquarters, IFA (Army) within the Annual Works Programme determined by MOD/MOD (Fin) will be responsible for vetting AEs in respect of all the three Services. In all other cases, CsDA (Army) and Jt.CsDA (Army) under whose territorial jurisdiction the works fall will be responsible for the vetting of AEs relating to works for all the three services.

(5) In respect of works pertaining to Army, Regional CsDA(Army) will be responsible for the release of funds for the new Project/Scheme for construction within the approved MWP and financial ceilings already approved and fixed for the year by the Ministry of Defence with the concurrence of MOD (Fin). In commands where there are more than one

CsDA (Army), the funds will be released by the Regional Command Controller within these ceilings.

(6) CDA (Navy) and their lower IFAs and CDA (Air Force) and their lower IFAs will be responsible for release of funds for the works within the ceiling fixed for the year in respect of works pertaining to Navy and Air Force respectively.

(7) The onus for watching the expenditure against the funds released will continue to vest in the Administrative authorities in accordance with the provision of Financial Regulations. However, IFA (Army), IFA (Navy) and IFA (Air Force) as well as Regional CsDA (Army), CDA (Navy) and CsDA (Air Force) functioning as IFAs will also monitor this aspect so as to ensure the financial ceiling determined for the new works are adhered to.

Audit clarification issued by CGDA vide No. 18184/AT-X dated 30th December 1998

Sl. No	ISSUES RAISED	CLARIFICATION
1.	At what levels will proposals for acceptance of necessity and vetting of AEs and financial concurrence come to the office of CDA from Commands/Corps/Area/Ind Sub Area/Div/Ind Bde/Sub Area?	<p>Receipt of proposals for the first time will be from the levels as under: -</p> <p>Commands – MG Adm to CDA as IFA by name.</p> <p>Corps – MGGS to CDA as IFA by name.</p> <p>Area/Ind Sub Area/Div/Ind Bde Gp – Brig to CDA as IFA by name.</p> <p>Sub Area/Bde – Col to JCDA as IFA by name.</p> <p>The above-mentioned channels of referring the proposals will also apply to the equivalent levels on the AF and Navy side.</p> <p>Further processing of the proposals for obtaining clarifications etc. in the office of the CDA can be at the lower levels in consultation with the administrative authorities including officers of MES at appropriate levels. After final concurrence, the proposals will be</p>

		marked back by CDA/JCDA, as the case may be, to the CFA concerned.
2.	When a project concerning Command/lower CFAs' works in included in the Major Works Programme (MWP)/Annual Works Programme (AWP), is it essential for the IFAs to examine the necessity for works?	Inclusion of a project in MWP/AWP is indicative of the priority requirement the project while examination of necessity is a matter of details to be gone into by the IFAs such as no. Of houses to be built, supportive facilities available, need for special items etc. the MWP for 1998-99 for Army has already be circulated vide CGDA letter No. 18184/AT-X dated 30-11-98 to all regional/Army Controllers.
3.	Whether IFA can reject the proposal included in the MWP/AWP?	Projects are included in the MWP/AWP after examination of its necessity at various levels at Command and Army HQrs. Prima-facie; the question of rejection should not arise. However, in case the supporting details are inadequate for approving the works, IFAs can disagree with the proposals. For enabling the IFAs to carry out a proper appreciation of the necessity of a project, CDA will be associated with formulation of MWP/AWP in due course of time.
4.	What exactly is meant by release of funds and to whom will the funds be released by CDA in respect of new works?	Within the ceiling approved by MOD (Fin) for release of funds for new works, scheme wise/project wise, allocation of funds will be suggested by the Commands HQrs to CsDA. Action for release of funds will be taken after the financial concurrence has been accorded to the new works. While issuing administrative approval, the amount of funds to be spent in that particular financial year (which will normally be 10% of the project cost) will be noted by IFA in his records which will also be indicated by the IFAs through admin approval. This noting and indication of the amount to be spent in the year in which project is approved, is termed as release of funds.

		Funds will be placed by the CDA in the usual manner through placement of cash assignment as per the existing procedure.
5.	When the initial proposal is sent to CDA/JCDA as IFAs, what are the documents to be received along with the case?	E-in-Cs Branch will separately issue suitable instructions to commands with copies to IFAs concerning documents to be enclosed with the proposals. Based on this, commands will issue suitable instructions to their lower formations.
6.	Whether powers for acceptance of necessity and administrative approval exercisable by the CFAs (Army Commander etc) are personal or can they be re-delegated to any of their staff officers?	Powers are personal and cannot be re-delegated.
7.	<p>Following documents should be made available to IFAs:</p> <p>(a) Scale of Accommodation (DS) 1983</p> <p>(b) Scale of Accommodation for Armed Forces Hospitals, 1982</p> <p>© Scale of Furniture DS 1989</p> <p>Plinth areas rates as per SSR 1991 for married Accommodation.</p> <p>Plinth area rates as per SSR 91 for OTM Accommodation</p> <p>MES SSR 91 rates for all items of work</p> <p>ED 1996 rates for external services</p> <p>Area furniture rates list</p> <p>MWs & DCs returns (zone-wise)</p> <p>Compendium of E-in-C's instructions.</p>	The copies of the documents as at (a) (b) & (c) are Govt. Publications and as such can be procured by the users. The E-in-C's rep agreed to issue instructions to Command HQrs. to make copies of the rest of the documents available to the IFAs.

Teleconference Session on IFA System in MES Works – Ms Somi Tandon, Addl FA & JS (Issued vide CGDA No. 18184/AT-X dated 23th December 1998)

The training Division of the CGDA had conducted a teleconference Session for the IFA System in MES Works on 20 NOV 98 by utilizing the Training and Development Communication Channel of IGNOU:ISRO.

During the course of the above-mentioned teleconference, certain queries were raised by the participants, which were answered by Addl FA (T) (retired as Secretary (Defence Finance)). A list of such questions and their answers received from out Training Division is appended below:

SL. No.	Questions	Answers
1.	Regional CsDA will be included at every stage of allotment of funds and release of funds and the Regional CDA will be knowing the complete allotment of funds as a whole for the command at the beginning of the year itself. Shall at every stage of release of funds the command CDA will know how much funds are available for release for any work that is coming under AWP OR MWP?	In the beginning of the financial year, MWP ceiling is going to be prescribed both for the sanction of new works and for release of funds. So these ceilings are going to be intimated to all the Regional Controllers and also to other CsDA (Army). So the information will be available about the ceilings regarding new works in the financial year in which the works are to be sanctioned. In addition to this there will be budget allocation to the command for continuing the carry over works. There should not be confusion between this cash ceiling, which is being prescribed for the new works. This is cash ceiling for new works. There will be a separate budget allocation for the carry over works in the usual manner.
2.	What happens to the funds that are allotted during the financial year and could not be spent by the end of the financial year whether it is going to be re-appropriated or it will lapse? If it is going to be re-appropriated	We have not given work-wise ceiling to a command for new works. We have given command ceiling. E.g. for Southern Command the ceiling is 21.42 crores for the works to be sanctioned. The funds to be released is 2.13 crores (10% of the command

	then we lose control over audit of expenditure i.e. control of expenditure over allotment?	ceiling). In the year in which work is sanctioned the fund requirement for the works is very limited. It takes time for the works to be tendered out, quotations to be received, examined and then only the contract is concluded. And that is why presently around 10% amount has been kept for expenditure on new works, which are to be sanctioned in a particular financial year. So the re-appropriation question in this case should not really arise unless the command as a whole is finding it difficult to get total works worth Rest. 21.42 crores. Sanctioned or spend Rs. 2.13 crores which have been provided. If that happens then the problem will be posed by the command HQrs to the Army HQrs. QMG Branch and then the re-allocation will be done by the Ministry.
3.	Why not IFA be associated with Recce-cum-Siting-Board?	Currently, this is not provided. Though the possibility may be examined in due course of time.
4.	The proposed system does not envisage involvement of the IFA in the contract procedure. Is it advisable to introduce TPC System as in the case of ASC and Ordnance for the MES contracts also?	Presently, IFA system in MES works does not envisage involvement of CDA in the contracting. At this stage it is only the beginning. As we stabilize, may be at a future point of time this aspect can be gone into.
5.	In view of the enhanced powers given for special works, it is felt that some guidelines are required regarding the nature & type of work that can be sanctioned as a special works because so far it is left to the discretion of the CFA. Are we going to have some guidelines issued for this?	So far, no guidelines have been considered necessary for 'special works'. Special work is work, which is not covered under the existing scales of accommodation. For example, if the scales of accommodation do not provide that AC facilities will be made available in number of rooms in the hospital but there is a requirement, which has been clarified, and if this is to be provided or to be sanctioned,

		<p>this will fall under the heading 'special Works'. It is understood that executives are already in the process of revising the existing scales so that to the extent possible they can cover such of those special requirements, which presently are forming under special work as the normal work. But if it is felt that you need to have some sort of samples or guidelines, we can consider and give some examples. These can be only examples. Since the work is special work, each such case has to be justified on its merit and then only included as special work.</p>
6.	<p>Is it advisable to decentralize the release of funds from the command Controller to the other Regional CsDA within the command?</p>	<p>At present, it will not be advisable to further decentralize the release of funds from Regional Controller to other Army Controllers because at present total command ceiling have been given and within the command it is intended to leave it to the command executives to see the inter-se-priority and depending upon the time at which work has been sanction to be able to get the funds released for this work sanctioned within the command ceiling as a whole.</p>
7.	<p>As per the Govt. letter dated 26-8-98 at some places only MWP has been mentioned for financial concurrence. In some cases only annual work Programme is taken into account. What is the difference between the MWP and AWP?</p>	<p>In the case of Army, they call it MWP, in the case of Navy instead of calling them as MWP they call it AWP so it is exactly the same thing, what the Service HQrs have been calling all along. It is the same either it is called MWP or it is called AWP. But the purpose is same.</p>
8.	<p>Regarding the checklist what you have supplied for the A.Es the name of DGOF organization has been included. But you have not indicated who must give financial concurrence and who must vet the AEs etc?</p>	<p>This delegation does not cover works to be sanctioned for DGOF. In the case of DGOF they in their own HQrs have their Member (Finance) and Controller of Finance. They are exercising the powers of IFA for sanction of works on the ordnance</p>

		factory side. So presently the Regional Controllers are not likely to sanction works for DGOF.
9.	Amount, which is provided for release of funds for new works whether that can be appropriated for carry forward works?	If the commands are feeling that they will not be able to utilize the funds meant for the new works then they have to intimate to their HQrs i.e. Army HQrs/RMG. They will have to suggest re-appropriation between carry over works and the new works. This is done with the approval of Ministry. It is not left to the command to do the same.
10.	If the work has been sanctioned and for which the funds have not been utilized whether this is going to be considered as carry over works or it will have to be included again in the next financial year?	Once a work has been sanctioned and included in the MWP of a particular financial year like 98-99, the same shall not be included again in the next financial year. So this is to become a carry over work, even if in that financial year no funds are spent on that work. Works cannot be sanctioned and included twice in the MWP, as this will tantamount creating double information for the same work. If the work cannot be actually sanctioned included in the current financial year, the same may be kept pending for inclusion in the next financial year.
11.	If MWP is approved by Ministry of Defence whether acceptance of necessity by lower IFA is necessary?	When MWP has been drawn this is only a priority list which has been prepared by the command and included in the MWP by the Army HQrs. At this stage the individual works details have not been gone into, like the number of quarters, plinth area, and other details have not been examined. So, it will be essential that the necessity for the total works, which are intended to be included, be gone into by the IFA.
12.	As per the Ministry of Defence letter dated 26-8-98, lower IFAs	In the case of Navy, there is only one CDA (Navy) whereas Navy has also got

	<p>under Navy and Air Force will be responsible for release of funds falling within their jurisdiction. Such a provision has not been made in respect of Army according to Para 4.1 of the letter. Kindly clarify?</p>	<p>commands like in eastern side they have Eastern Command under the Command of Flag Officer Commanding. Similarly, they have Southern Command. At that stage they have IFAs, which are at the level of JCDA in Vizag and DCDA in Cochin. Because they were not full-fledged CsDA the order mentioned them as lower IFAs but they are for the command. Whereas in the case of Army there are Army CsDA, Regional CsDA so these CsDA have been mentioned as IFAs.</p>
13.	<p>Ministry of Defence (Fin) letter dated 26-8-98, in Appx. 'B', states that CDA (AF) and CDA (Navy) will accord the financial concurrence whereas vetting of AEs will be done by Army Controller. Whether Navy and AF CDA would accord the concurrence after the vetting of AEs by the Army Controller. Is it not appropriate that the vetting of the AEs is also entrusted to CDA (Navy) and AF when they have already been given the powers for the financial concurrence as well as release of funds?</p>	<p>Presently, the work relating to MES works is done by the Regional Controllers. So keeping in line with that, it has been decided that the vetting will be done by the CDA (Army). May be in due course of time if expertise is developed in CDA (Navy) and CDA (AF) even the vetting part can be entrusted to CDA (Navy) and CDA (AF). But at present it is not provided. Whereas the acceptance of necessity is to be established and also release of control of funds for new works is to be done by the CDA (Navy)/IFAs, CDA (AF)/IFAs for the works to be sanctioned for Navy and Air Force.</p>
14.	<p>As per our understanding the allotment of funds to the Regional Controllers is to be made by respective command HQrs, it is presumed that the command HQrs will get the allocation from E-in-C's Branch, the funds will be released by the Regional Controllers to the CFAs and not to the executive authorities. Is this presumption correct?</p>	<p>As for as new works are concerned this allotment ceiling has been given by the Ministry to Army HQrs, QMG Branch. They in turn will intimate the same to all commands and their IFAs. This ceiling has already been determined by the Ministry. So there is no further allocation by the command as for as new works are concerned. This ceiling is not work-wise. This is a command ceiling. However, at the stage of issuing the</p>

		sanction letter, the amount to be used for a particular work in the very first year may be mated to the MES Officers.
15.	What is the difference between the ceiling for sanction and cast-outflow?	In all cases in the first year around 10% amount of the total ceiling for sanction, has been kept as cast outflow ceiling e.g. if the amount indicated for ceiling of sanction is, say, for Chief of the Army Staff-61 crores in a particular financial year, the cast flow ceiling is only six crores. Experience has shown some works in the beginning may need more the 10% but as some works get sanctioned at the fog and of the financial year then very limited money really gets spent and that is why over all ceiling of 10% has been kept.
16.	In FC cases – with reference to the check-list- (i) whether it is a pre-scrutiny or post scrutiny? Also (ii) whether market analysis comparison will be done w.r.t. market analysis kept to each item or only w.r.t. lowest tenderer as presently are being done in the MES formations?	FC cases are subject to pre-scrutiny and all the required certificates are to be furnished in support of FC cases. Market analysis comparison is to be done w.r.t. The overall lowest tenderer as at present being done in case of MES formation.
17.	The IFA has been involved at the stages of acceptance of necessity and the vetting of the AEs. Now after the proposal is received by the IFA and IFA feels that the particular project is not required or on any other issue there is a substantial difference of opinion or difference of perception. How the issue can be resolved and can the IFAs' recommendation be over-ruled and how?	Basically there should not be a sharp difference of opinion but IFA has a right to express, his opinion in the case, which can always be referred to the higher authorities for a decision.
18.	The release of funds is being carried out at the time of	If the funds are not utilized the funds lapse. But as far as the works are

	administrative approval itself. In case, the executives are not utilizing the funds by the end of the financial year, whether there will be a lapse of funds in case re-appropriations are not carried out?	concerned, the works do not lapse. The works stand sanctioned. The funds will get released in the next financial year depending upon the expected physical progress that command will project and accordingly the fund requirement will be worked out.
19.	Whether any time-schedule has been fixed for wetting of necessity and AEs/ RAEs like financial concurrence cases?	At present, no time-schedule has been given. Each controller can look into this aspect and make sure that the work is attended to promptly. They should fix some time-schedule and monitor it properly.
20.	Whether the present system of allotment of funds from E-in-C Branch to command HQrs in respect of carry over works will continue or Regional Controllers will have to allot funds in these cases as well?	The existing system will continue. For carry over works. Funds will be allotted by E-in-C Branch to command and from command to the lower formations.
21.	Whether allotments are to be made only in respect of new works by the Regional Controllers?	This fund ceiling is only in respect of new works.

Check Lists on Defence Works Procedure issued vide CGDA NO.18184/AT-X dated 8th February 1999

(A) Scrutiny of AEs/RAEs in respect of Civil Works of Army, Air Force, Navy and DGOF Organisation

Board Proceedings

In the first instance it should be checked that the Board Proceedings outlining the detailed justification in terms of necessity/requirement of the proposed works i.e. building works (OTM/Married) and external services etc. are placed on the file.

That the Board Proceedings has considered the following points/aspects:

- (a) Justification for external services like external electrifications, external water supply, roads & paths, sewage disposal and compound wall/security wall wall/security wall and furniture etc. with reference to (i) existing scales and specifications, and (ii) existing availability of these services at the station.
- (b) Justification for special items, if any.
- (c) Particulars of buildings etc. to be demolished, if any, with detailed reasons.
- (d) Accommodation statement Part-I & Part-II accompanying the Board Proceedings.

AEs - Buildings

1. The detailed break-up of the total requirement has been given item-wise separately for Married/OTM/External Services Works.
2. That the married accommodation for all categories (including civilians) has been planned on station basis.
3. That the necessity of the proposed work is accepted in principle at appropriate level. Also that the civil works proposals of Air Force, Navy and DGOFF Organisation have been cleared by the Integrated Finance at appropriate level from the necessity angles.
4. That the land required for the purpose is available. If not, what is the status of land acquisition?
5. That the satisfaction level has been kept in mind while initiating the proposal of married accommodation.
6. That the scales adopted are correct and latest and supported by authority.
7. That the work stands included in the MWP for the year concerned.
8. That in case of projects involving both married and OTM Works. OTM Works and external services are being provided to match the progress of married accommodation works and vice versa.

9. That special items, if any, have been cleared by the Users' Directorate and the Associated Finance at appropriate level from the necessity angle.
10. Details of special items and basis of their cost estimate have been given adequately.
11. That projects costing more than Rs. 20 crores have approval of CCPA before hand.
12. That the specifications have been correctly applied. Wherever superior specifications have been proposed in the work necessary justification with authority has been given. Where a project is to be taken up in phases, the total cost of the entire project (based on Rough/rough estimates) is the criteria for determining the CFA for sanctioning the work/project.
13. That the plinth area norms are correctly applied as per latest instructions issued under Ministry of Defence ID No. PC/11(3)/89/DO-II/D (W-I) dated 14.5.1991 and further amendments, if any.
14. That the expected credits on account of retrieved material from demolition of buildings etc., if any, are properly accounted for in the Rough.
15. That the estimates have been scrutinised by the E-in-C's Branch and updated to the last quarter.
16. If accommodation for MES Key personnel is included in the works estimates then station-wise deficiency position should be indicated.

RATES

1. That the rates for OTM work is based on latest SSR.
2. That wherever non-standard rates are used (in the case of OTM accommodation generally), basis and break -up is given so as to justify the rates. Basis should be clear and specific.
3. Wherever SSR rates are not available the basis and details of market analysis is fully given.

4. That the plinth area rates for married accommodation are as per E-in-C's Branch, letter No. 83975/E2 Design-3 dated 27.6.90 and further amendments, if any.
5. That the market variation and difference in cost of stores applied in the Rough are based on latest quarterly return.

EXTERNAL SERVICES

1. That the existing assets at the station have been taken into account while planning external services like roads, external electricity, external water supply, sewage disposal, area drainage etc.
2. That the requirement of electricity and water has been worked out on the basis of strength of the Military station and the net deficiency has been worked out after taking into account the existing availability.
3. That the rates adopted for the E/M items like sewage disposal, external electrification and water supply etc. are based on current ED and item no. ED is indicated against each item in the Rough.
4. Wherever ED rates are not available detailed justification for the assessed and market rates is given in the AE.
5. That the rates of B/R items like Roads, Area Drainage, security/fencing wall, etc. are based on latest SSR. If not, detailed justification for market/assessed rates is given.

FURNITURE

1. That the furniture provided is as per the latest scales and buildings is given.
2. That the break-up of furniture based on different categories of buildings are given.
3. That the rates of furniture items are based on the latest area furniture rate list and reference of furniture rate list is given in the Rough in the remarks column.
4. That while assessing the requirement of furniture, surplus furniture available at the station, if any, has been duly taken into account.

REVISED APPROXIMATE ESTIMATES

1. In addition to the above check points the RAEs which are prepared in accordance with the provisions of Para-22 (6) read with para-9 (d) DWP 1986 are further checked to see that:

The causes of the excess have been set out clearly and concisely in the remarks column of RAE Part-II.

If the RAEs are based on completion cost, the same are duly countersigned by the concerned Unit Accountant.

PHASING AND FUND AVAILABILITY

1. Is this civil work proposal a part of the approved major works programme of the year concerned? If so, state specifically.
2. What is the proposed completion date of the work?
3. What is the proposed phasing of expenditure?
4. What is the fund requirement in the current financial year?
5. Is the fund availability in the current year confirmed?
6. What will be the carry forward liability for subsequent years?

Check List of Financial concurrence for Works

The following points/documents have to be checked during the scrutiny of the FC cases:

1. The date on which the Administrative Approval was accorded and the work was released for execution is clearly indicated. If the work could not be released within one month from the date of sanction, reasons thereof are given.
2. A copy of the Administrative Approval and technical sanction are placed on the File.
3. Other documents listed in Annexure-A to this checklist have also been submitted along with the FC case.
4. The tender action has been taken within the stipulated time or at least within 18 months from the issue of Administrative Approval and six months from the date of release of the work.

5. In case of delay in tender action beyond three months from the date of Adm. Approval, reasons for delay have been furnished.
6. The sanctioned scope of work and specifications has been adhered to.
7. FC cases involving change in scope of work, adoption of specifications higher than those indicated in Administrative Approval, large variation in the quantities of external services, adoption of Plinth Area rates of the costed schedule in excess of the authorized Plinth Area rates, inclusion of items of work(s) not initially included in the sanctioned work are not to be entertained.
8. In cases of unavoidable change in scope/specifications, change of site etc. detailed reasons has been furnished in a statement of case along with a draft Corrigendum.
9. Plinth Area rates for married accommodation reflected in FC cases are conforming to those approved by E-in-C's Branch from time to time. If not, whether the reasons for increase in Plinth Area rates are clearly brought out.
10. The pre-pricing of tender has been kept within the sanctioned plinth area rates.
11. The particulars of SSR and ED (Estimated Data) on which the rates of Administrative Approval are based are given while explaining the reasons for escalation.
12. Variations between the rates on market analysis and rates as per prevailing MV and DCS are explained.
13. In the case of furniture contracts, comparison of rates of Administrative Approval, tender and latest area furniture rate list has been given.
14. In the case of E/M contracts like water supply, electrification, sewage disposal, refrigeration and air-conditioning etc. comparison of tendered rates with ED rates and reasons for variation have been given.
15. In the case of proposals for accepting other than the lowest tender reasons for the same are specifically highlighted.

16. Reasons for not tendering any item(s) such as furniture, air-conditioning, etc. along with main tender are given.
17. Works sanctioned by different CFAs are not clubbed together for tendering.
18. The amount of contingencies available is being spent judiciously and proportionately.
19. Abnormal delay in planning and finalization of tenders resulting in time and cost overruns have been explained and justified.
20. Sufficient period of validity of the tender is available for processing the FC case by Ministry of Defence and Defence (Finance).
21. Reasons for increase in cost over the Administrative Approval amount (including tolerance) have been categorically brought out. To this end, each contributory factor should be separately explained indicating the financial implications of each factor.
22. The FC proposal has been cleared by the Ministry at appropriate level taking the total estimated completion cost of the work into account. In case of FC cases relating to Air Force, Navy, Factories works, the proposal has also been cleared by the Integrated Finance at appropriate level.
23. Following certificates have been furnished in support of the FC cases: -
 1. The rates quoted are reasonable on ruling market price.
 2. Re-tendering is not likely to lead to reduction in rates/total cost of tendered item.
 3. The excess is not due to change in the scope of work.
 4. The excess on the contract cannot be met from any other savings.
 5. Any savings from the amount concurred will not be diverted to other running contracts.
 6. Scope of work tendered is as per Administrative Approval.
 7. No superior specifications have been adopted.
 8. In case of any deviation in respect of (f) and (g) above, detailed Statement of Case and Draft Corrigendum have been furnished.
 9. Complete tender documents including notice of tender.
 10. Comparative Statement of tenders.

11. Financial Statement to show the amount available, details of DCs and details of items to be issued free for fixing.
12. Statement showing financial position of the whole project along with liabilities incurred against each item and amount required for the balance work yet to be contracted.
13. Statement of case for inclusion, if any item/items not covered in Administrative Approval.
14. Details of work signed by Accepting Officer.
15. Market Analysis.
16. Delay Report.
17. In case of married accommodation comparison of Plinth Area rates as given in the Administrative Approval and as included in the tender.
18. In case of OTM Accommodation, comparison of floor area and plinth area provided in the Administrative Approval and that included in the tender indicating in the remarks whether proportionate decrease in amount calculated or not.
19. In case of furniture contracts, comparison of rates in Administrative Approval, tender and latest area rate list.
20. In case of water supply and external electrification, comparison of Administrative Approval rates with ED rates.

General Drawbacks observed in AEs/RAEs

1. Wrong adoption of Plinth Area authorized as per scale of Accommodation for Defence Services, 1983
2. Variation in Accommodation Statement vetted by user's directorate and accommodation catered in AE part II
3. Wrong adoption of rates as per SSR/ED Rates etc and non-quoting of correct items of SSR/ED Rates in AE part II
4. Rates Analysis for assessed rates being adopted are not placed on file for verification.
5. Copy of Jobs from where rates being adopted are not placed on file for verification.
6. Price lists/ Quotations etc for Market rates not being placed on file for verification of rates of valuable items exceeding Rs. 50,000/- & above

7. Certain items of works, which are not, authorized being provided in AEs such as Geysers, Air conditioning etc.
8. Wrong adoption of scales of furniture held on charge not deducted from authorized furniture.
9. Non updation of AEs on current MV/DCS percentages and non-placement of copies of MV/DCS percentage Return.
10. Non updation of rates of furniture on latest Area Furniture Rate list and no placement of copies on file for verification of rates.
11. Plinth area for garages of vehicle are not taken in accordance with standard size of garages issued by E-in-C's Branch.
12. Fire fighting provisions catered in the AEs are not approved by Fire Advisor, Ministry of Defence.
13. Separate provision is made for soil investigations where as the same should be met out of contingency separately.
14. Special items of works are required to be approved by Associate Finance of user's Directorate.
15. MV/DCS applied on assessed/ market/contract rates/ furniture rates are not admissible.
16. Provision for temporary DMES storage and office ACC is being made in the AEs, which is chargeable to Contingencies of Arg acts.
17. Items catered for in AEs are not as per recommendation of BP and quantities in BPs & AEs are at large variance.
18. Credit for cost of demolished/dismantled materials are not being accounted for in the AEs (both B/R & E/M portion).
19. Plinth area rates are not being quoted as per rates published by E-IN-C's Branch letter No 83975/OTM/E2W (PPC).
20. AEs are not being checked by the next higher engineer authority as provided for in Rule 334 RMES.

21. Establishment charges @2% are being charged in the AE Part I in all the cases of lower CFA. This is required to be charged in case of deposit work only.
22. Calculation/casting errors in the AEs/RAEs.

Documents required for Vetting the AEs/RAEs

Scales of Accommodation (DS), 1983

Scales of Accommodation for Armed Forces Hospitals, 1982.

Scales of Furniture (DS) 1989

Plinth Area Rates at Par SSR 2004 for MD Accommodation

Plinth Area Rates at Par SSR 2004 for OTM Accommodation

MES SSR 2004 Rates for all items of works.

ED, 1996 Rates for External Services

Area Furniture Rates List

MVs & DCS Return is (Zone-Wise)

Points to be seen during scrutiny of Board Proceedings

It should be seen that the board proceedings outlining the detailed justification in terms of necessity/requirement of the proposed work and that the BPs has considered following points/aspects:

1. **Accn Statement Part I & II** - These statements are the most important documents for arriving at the requirement of proposed accommodation. Therefore, adequate emphasis is required in preparation of these documents. Standard format should be followed and all the columns filled correctly.
 - (a) **Accn Statement Part I** This should be prepared by the user unit/formation with the authority of PE and should be forwarded duly signed by a responsible officer of the unit concerned and Station Cdr/Adm Comdt.
 - (b) **Accn Statement Part II** Based on Accn part I, Accn authorised, available, deficient etc needs to be clearly indicated in Accn Part II and this should be signed by GE concerned.

2. **Zonal Plan** - Siting of Accn should be in accordance with the approved Zonal Plan. However in exceptional cases, if it is not in accordance with the Zonal Plan, the justification to this effect should be covered in the BPs and a certificate from the Stn Cdr be made part of the BPs stating that the proposed siting is being catered in the revision of Zonal Plan.

3. **Disposal of Old Bldgs** - If new Accn is being proposed against the existing Accn, the justification of the same should be given in the BPs as also the final disposal of such Accn whether by demolition or subsequent re-appropriation for some other purpose needs to be clearly indicated in the BP itself. In case the existing Accn is to be utilized against the deficiency of some other unit at the station, a certificate to this effect is also required from the Stn Cdr.

4. **Tree Cutting** - All the trees falling with in the proposed siting of building should be identified in the BOO and a certificate duly signed by the Stn Cdr shall be made part of the BPs stating that the clear site will be handed over to the MES before commencement of the work.

5. **Special Items** - As far as possible, special items should be avoided and, if at all considered necessary, be kept at minimum level. Inclusion of special items needs to be justified in the BPs and the cost effect is to be considered separately in the RIC. All items of external services related to a special Accn should be treated as special items. While giving the recommendation, the BOO must highlight the cost of the special items and the same should also be covered in the recommendations of the Cdrs in chain.

6. **Air Conditioning** - Air Conditioning shall be provided as per the chapter 53 of SOA. Whenever Air Conditioning is recommended, which is not covered under SOA, adequate justification should be given in the BPs. The requirement of temperature, humidity and other parameters should be specified in the BPs correctly based on user requirement.

7. **Cooling Appliances** - These shall be provided as per the authorized scales. The existing cooling appliances should be considered in BPs to work out the deficiency and details of the same must be included in the BPs giving location of each item.

8. **Standby Gen Sets** - DG Set is authorized for certain locations as per the chapter 57 of SOA. For all other standby requirements, prior Govt

sanction is necessary. Hence any work in the latter category where DG set(s) is included, even as special item needs to be sanctioned by the Govt of India.

9. **Prestigious Bldgs** - An extra percentage subject to a maximum of 10% of the total cost can be added for special architectural features etc for the buildings which have been declared prestigious by the Govt of India. Therefore, for the work other than the Govt of India power work, this provision is not to be considered unless the bldg has been declared prestigious by Govt of India. For the declaration of a prestigious bldg, a statement of case in support is enclosed to justify the requirement.

10. **Furniture** - It has been authorized for various Accn in the scale of furniture. While finalizing the BPs, the existing furniture has to be accounted for to work out deficient items. In case complete new furniture is recommended for any work, the existing furniture needs to be adjusted against station deficiency of furniture and certificate to this effect duly signed by the Stn Cdr and GE should be attached with the BPs apart from covering justification in the body of BPs for the same.

11. **Adherence to Ceiling Specified in MWP** - Ceiling for each work is specified in the MWP. The same should be followed scrupulously. If the ceiling is being exceeded, the same shall be immediately brought to the notice of the Comd HQrs along with the reasons for the same. It is, therefore, essential that rough cost be assessed at the time of projection of work as accurately as feasible through user and engineers interaction. Wherever phasing is considered for a work in the MWP, the excess over ceiling for the current year should be adjusted in subsequent phases.

12. **Certificate From Engineers** - Following documents are to be signed by Engineer Auth only:

- | | | | |
|-----|--|---|-------|
| (a) | Accn Statement Part II | - | By GE |
| (b) | Engineer appreciation | - | By GE |
| (c) | RIC | - | By GE |
| (d) | Water & electricity availability certificate | - | By GE |
| (e) | Non-availability of furniture certificate | - | By GE |

13. **Water Supply/Electric Supply** - Wherever augmentation of water supply/electric supply is required, such as new transformer, sub station, OHR, tube well, additional load sanction from the state electricity board/water supply organization etc, the requirement should be justified in the BPs and the cost be considered accordingly in RIC and not as percentage of the cost of bldg.

14. **Land** - The Accn is to be planned on A-1 Defence land only. A certificate to this effect duly signed by the DEO and the Stn Cdr should be included in the BPs.

15. **Line Plan** - The Line plan of the OTM Accn, specially technical and special Accn should be prepared at the stage of the BOO and should be included in the BPs duly signed by an authorized officer of the user unit.

DELEGATION OF SPECIAL FINANCIAL POWERS TO GOsC-IN-C WESTERN, SOUTHERN AND CENTRAL COMMANDS FOR PROCUREMENT OF EQUIPMENT AND STORES AND CARRYING OUT MODIFICATIONS TO EQUIPMENT FOR MEETING SPECIAL REQUIREMENTS OF STRIKE CORPS

GOI, MOD letter No. 6(2)/97/D(O-1) dt.12/10/98

GOI, MOD letter No. A/89591/FP-1/693/2002/D(GS-3) dt 22.4.2002

GOI, MOD letter No. A/89591/FP-1/1974/2006/D (GS-I) 26 July 2

Special financial powers have been delegated to General Officers Commanding-in-Chief (GOsC-in-C) Central, Western, South and South-western Commands to incur expenditure on procurement of equipment and stores and carrying out modifications to equipment for meeting special requirement of Strike Corps & Reserve Formations, operational requirements including those relating to Counter Insurgency/Internal Security Duties and Aid to Civil Authorities, vide Schedule XXI B to Ministry of Defence letter No A/89591/FP-1/1974/2006/D(GS-I) dated 26 July 2006. The enhanced powers will be utilized for purchase of stores of ordnance origin and such other stores as are considered operationally necessary for the specified tasks. The procedure and guidelines for such procurements in general has been given in the following paragraphs. However, all procurement procedures such as issue and accounting of all equipment and stores purchased under this Head, already prescribed in various government orders and other instructions, will be equally applicable and strictly compiled with.

2. **Financial Limits** - The extent of special financial powers and their utilization for procurement of the stores will be as follows:-

(a) **Purchase of Stores of Ordnance Origin/Sector Stores under Major Head 2076 Minor Head 110C** - Expenditure upto Rs two crores per transaction subject to a limit of Rs nine crores per annum may be incurred. Out of the above annual limit, Rs two crores is for Strike Corps including Reserve Formations and Rs seven crores for other Formations to conduct counter insurgency operation, internal security duties as well as aid to civil authorities during natural calamities and disaster relief operations

(b) **Miscellaneous and Contingent Expenditure**, under Major Head 2076, Minor Head 800B (p) - Other Miscellaneous Charges Expenditure upto Rs 10 Lakhs per transaction subject to a financial limit of Rs one crore per annum, per Command, may be incurred. Rupees 25 lakhs for Strike Corps and Rs. 75 lakhs for Other Formations of the Command

3. The Special powers will be exercised by GOsC-in-C only in consultation with the IFA, except in respect of expenditure on immediate repair and maintenance of equipment and items procured under these powers.

4. The IFA will be associated from the stage of initiation of proposals for procurement till placement of orders. The IFA will also be fully associated with post contractual developments having a financial bearing like grant of extension of time, imposition/waiver of liquidated damages and risk purchase, etc. In other words, prior concurrence of IFA will be obtained in the such matters.

5. The powers regarding purchase of Stores/Sector Stores (under Major Head 2076, Minor Head 110C) are subject to the condition that all purchase under these powers which exceed Rs five lakhs will be processed and made with the approval of the Tender Purchase Committee (TPC) to be constituted by the GOC-in-C and will invariably include a rep of IFA. The aforesaid requirement would not apply in respect of items available against DGS&D rate contracts. In case the CFA feels that negotiations could result in reducing prices, he may order the TPC to meet and negotiate even though purchase value is less than Rs five lakhs.

6. The financial advice/consultation will be provided by the IFA in writing and will be based on regular noting on file. However, in cases of extreme urgency where time does not permit floating of regular files, decision could be taken in meeting/discussions for which detailed deliberations/minutes will be recorded and signed by all the members present. Proper briefing papers prepared with the approval of the CFA will be made available to the IFA/CDA sufficiently in advance prior to the meeting/discussion. All such case should be followed up immediately by regular noting on file, where the decision taken during meetings is not precluded, these are not substitutes to regular noting on files. Such cases should, however, be kept to the minimum possible.

Purpose

7. The purpose of delegation is to facilitate the procurement of equipment/spares/items to supplement the availability of these through central sources to obviate non availability becoming a constraint particularly in Op readiness of Strike Corps for deployment, IS duties and Aid to civil Authorities and other immediate operational requirements.

8. Apart from the broad purpose indicated above, the powers under the Schedule will also be utilized for the purposes shown below:

(a) **Strike Corps & Reserve Formations**

(i) Modification to vehicle, equipment and spares to enable formations to carry out maneuvers in extremely difficult terrain. These include modifications to carry additional water, FOL, fixing of navigational aids mounting of communication equipment and armaments etc. This includes manufacture/fabrication and modification of equipment /items/vehicles and spares through Work Orders placed on the Workshops/Advance Base Workshops.

(ii) Innovations to reduce time in execution during operations such as obstacle crossing, obstacle and mine clearance, obstacle construction and track construction.

(iii) Specialized engineer and tele communication equipment to be purchased off the shelf such as gap measure, water supply equipment and accessories for force multipliers to enhance inherent capacity of the formations.

(iv) Power wagons for operation of engineer and communication equipment.

(v) Collapsible and quick to erect shelters.

(vi) Any other equipment/modification essential to keep the formations in a state of operational readiness/practice military maneuvers at the discretion of GOC-in-C.

(b) **For formation conducting Counter Insurgency Operations, Internal Security Duties, and Aid to Civil Authorities during Natural Calamities and Disaster relief Operations.**

(i) Modification of Equipment and vehicle peculiar to the needs of the Sector and CI (Ops)/IS duties as also to facilities them in carrying out required tasks during such operations and those in aid of Civil Authorities in Natural Calamities.

(ii) Purchase of non-standard pattern equipment and stores and spares including portable generators, tractors and vehicles for improving cross country mobility, mobility in inundated/water logged areas, logistic/supply support for IS duties, CI (Ops) and Aid to Civil Authorities. This includes

manufacture/fabrication and modification of equipment/items/vehicles and spares through work orders on the EME Workshops/Army Base Workshops/Advance Base Workshops.

- (iii) Purchase for Riot control Equipment.
- (iv) Purchase of specialized equipment stores and spares, clothing for use in CI (Ops) IS duties and disaster relief operations.
- (v) Equipment and items such as sensors etc to detect intrusions across borders.
- (vi) Telecom equipment to improve reliable inter/intra communication of units and formations imperative for operational purposes.
- (vii) Equipment/items for improving security and safety of units and establishments including necessities for fire fighting measures.

Note:- Drawl of FOL for NSP eqpt/machinery/vehs purchased out of ACSFP Funds is authorized from ASC Depot.

9. Powers at Ser No 2 of the Schedule will be utilized for the following purposes:-

- (a) Clothing/rations/medical faculties for detainees.
- (b) Urgently required medical equipment/stores/medicines for troops not available in Medical Stores Depot/Military Hospital.
- © Training of troops for counter insurgency operational security/internal security duties to the extent and subject to the conditions for Annual Training grant.
- (d) Any other special types of expenditure directly connected with Operations to be certified as such by GOC-in-C and with the prior consultation/concurrence of the respective IFA.
- (e) Expenditure on advertisement for tenders.

Types of Stores to be procured

10. Types of stores which may be procured under the Special Financial Powers of the GOC-in-C can be categorized as follows:

- (a) Equipment/stores not introduced into the service, but required to enhance the CI Ops efficiency and which are not being procured centrally in a shorter time frame.
- (b) Modification of existing equipment of modification/repair of equipment procured under the special financial powers.
- (c) Only those items will be procured which have already been approved for introduction in the Army by the GSEPC except NSP items.
- (d) NSP items may be procured provided they have not been trial evaluated and rejected for introduction in the Army.
- (e) All equipment and stores will be properly accounted for by the concerned depot/unit and issued to the designated unit under order of GOC-in-C as per existing procedure.

Items Not to be Procured

- 11. (a) Computer peripherals, ancillaries etc procurable under the Information Technology (IT) Sub-Head 110 H will not be procured under the special financial power.
- (b) Medical Stores and equipment will not be procured except to the extent covered by Serial 2 of Schedule XXI (B) to MOD letter dated 26 July 2006 read with Note 15 above the said Schedule.
- (c) Items classified to be Capital nature and on which expenditure is compliable to Major head 4076, Sub Major Head 01-Army.
- (d) Vehicle including Civil Pattern Vehicles, which are otherwise supplied through Ordnance channels.

Procurement Procedure

- 12. The steps to be followed in the procurement of equipment/stores will be as under:-
 - (a) Preparation of detailed case by respective formation/heads of sponsoring Arm/Service and submission of the same to the GS (WE/Plg) Branch.

- (b) Budgetary planning, preparation of procurement plan for the year and concurrence/approval of IFA and CFA. Copies of approved procurement plan will be supplied to IFA also.
- (c) Vetting by Army Headquarters. Vetting of PPP will be done and a copy of the vetted and approved PPP will be provided by Army HQ/MGO Budget Cell to MOD (Fin/O).
- (d) Sanction of each project by CFA with the concurrence of IFA.
- (e) Tendering Action.
- (f) Technical evaluation of the technical bids and their concurrence/approval by CFA.
- (g) Negotiation on commercial bids and recommendations on their finalization by Tender Purchase Committee.
- (h) Concurrence/approval of recommendations of Tender Purchase Committee by IFA/CFA.
- (i) Vetting of supply order and allotment of the U.O No. by IFA.
- (j) Placing of supply order.
- (k) Receipt of equipments/stores and acceptance testing.
- (l) Forwarding of bills to respective CDA.

Formulation of Procurement Plan

13. Formations/Heads of Arms/Service at Command Headquarters may sponsor equipment/stores required to purchase under the special financial powers for the purposes given and project the requirement giving description of the item with detailed justification for emergent procurement. The requirement will be forwarded to General Staff (GS/WE/Plg) Branch, Headquarters Command by 15 October each year for procurements of the ensuing year, along with the statement of case giving the following details:-

- (a) Serial Number
- (b) Brief description of the items.

© Quantity required

- (d) Reasons for emergent procurement and justification for quantity projected.
- (e) In case of limited tender enquiries, reasons for the same.
- (f) A detailed market survey
- (g) Approximate unit and total cost.
- (h) Names and address of the stipulated suppliers of items/equipment.
- (i) Detailed specifications and Qualitative Requirements (QRs) of the equipment.
- (j) Any other relevant information.

Preparation and Issue of Tender Enquires

14. The Tender Enquiry (TE) is an important document as it stipulates instructions to be tenderers and the firm's quotation (tender) is based on this. The TE should therefore be carefully prepared setting out in unambiguous terms, the requirements of the purchasers about the description of the stores, governing specification, qualitative requirements, delivery period etc. Draft tender enquiry will be forwarded by formations/sponsoring branches to GS (WE/Plg) Branch for vetting. The Draft Tender Enquiry will be got vetted from IFA along with the concurrence of acceptance for necessary.

15. The tenders will then be prepared by the formations/sponsoring branches and issued to the firms by an officer nominated by the CFA allowing minimum three weeks for limited tender and preferably four weeks for open tender enquires. Normally the tenderers should be asked to keep their offer open for acceptance preferably for 180 days from the date of opening of the offer. The tender enquiry will be signed by an officer nominated by CFA, who will also initial each page of the schedule. He will ensure that the rubber stamp of the formations/branch is properly affixed on the tender enquiry. Two signed copies of the tender enquiry will be forwarded to GS (WE/Plg) branch.

List of Vendors

16. Open tender procedure may be followed as a rule. However, enquiries may also be sent to short listed vendors to ensure competition. The list of vendors along with prevailing rates/LPP will be prepared by Commands as under:

(a) Scaled items - From concerned wing of OS Directorate. This may be done in conjunction with MGs AOC at HQ Command. For NSP items, stipulation not to procure items which have been trial evaluated and rejected for introduction in the Army, will be strictly complied with.

17. The tenders shall be opened in the presence of authorized representatives of the firms (in case of commercial bids only those firms who have been short listed by the TEC) who may be present at the time and place mentioned in the tender inquiries. Each tender shall be numbered serially, initialed and dated on the front page. No amendment to the tenders will on any account be permitted after the opening of the tenders has commenced. Quotations received telegraphically or by fax cannot be accepted. In case authorized representatives of the firms are not present at the time of opening of tenders, the bids may be opened with the prior approval of the Chairman TEC/TPC.

18. The Presiding Officer of the board opening the technical bids will check the details of the Earnest Money deposited by the vendors in the board proceedings. The Presiding Officer of the board opening the commercial tenders shall read out the important particulars regarding quantity, price, etc. The board will also prepare the comparative statement for commercial bids. Signature of the board of officers detailed for opening of tenders will be obtained on comparative statement before the same is put up for consideration by TPC, the gross price on FOR destination basis, inclusive of excise duty and sales tax etc shall be the basis for comparison of prices.

Technical Evaluation Committee (TEC)

19. A TEC will be constituted by HQ Central Command/respective formations under the order of CFA. The Chairman TEC will be from Arm/Service other than the user. The TEC will technically evaluate all proposals and reject all invalid bids with reasons to be recorded. Any deviations asked for from the technical specifications, specified delivery period or the terms and conditions or any special conditions stipulated by the firm will be highlighted in the TEC report. Revised commercial bids may be asked from vendors when the TEC has recommended any additional item which may have a commercial implication. Revised commercial bids may be

asked for when a considerable delay has occurred since submission of the commercial bids or when downward trends in prices of products are evident. Prior concurrence of IFA will be taken for revised commercial bids.

Tender Purchase Committee (TPC)

20. A TPC will be constituted by Command HQ/respective Formation HQ after approval of CFA/Army Commander for procurement of stores. The Chairman TPC will be detailed by GS (WE/Plg) Branch. It will be ensured that at least one of the members is detailed from the Sponsoring Branch. Constitution of the TPC will be as follows:

(a) If the cost of stores to be procured is upto Rs. 25 Lakhs

- (i) Chairman - Brigadier
- (ii) Secretary - Col/Lt Col
- (iii) Members - Two X Lt Col/Major
- (iv) User's Rep - Qualified in the equipment
- (v) IFA - Rep of IFA

(b) If the cost of stores is more than Rs. 25 Lakhs

- (i) Chairman - Maj Gen
- (ii) Secretary - Col/Lt Col
- (iii) Members - Two x Brig/Col
- (iv) User's Rep - Qualified in the equipment
- (v) IFA - Rep of IFA

TPC is approved by the CFA based on the TEC report. A representative of the IFA will be detailed as members of the Board. Complete transparency will be ensured in all procedures followed by TPC.

Negotiations

21. Price negotiations will be carried out by the TPC only with the bidder quoting the lowest cost (L-1) from among the firms short-listed by the TEC. Guidelines issued by CVC on the subject will be strictly implemented. The TPC should recommend the placement of order on the basis of quotations, keeping in view the acceptability of the material as per specifications given in the tender, the price and other relevant considerations. No recommendation for the placement of order can be given by the TPC in the absence of the finance member. The TPC proceedings will be forwarded along with the commercial bids to GS (WE/Plg) Branch in duplicate including photocopy of original commercial bids for further action.

Scrapping of tenders

22. Scrapping of tenders and issue of fresh tender inquiry should be an exception rather than a rule. Re-invitation to tender can be justified only where there has been change in basic specifications after receipt of tenders or where the quotations received do not conform to specifications in important respects, or because of sudden slump in the market or when the prices quoted are considered very high. Prior concurrence/approval of IFA/CFA should be obtained before scrapping the tenders.

Sanction of Expenditure

23. Recommendation of TPC along with tender enquiry, quotations, comparative statement draft supply order will be put up on file to GOC-in-C for sanction after obtaining the concurrence of IFA by GS (WE/Plg) Branch. Ink signed copy of the sanction accorded by the General Officer Commanding-in-Chief duly citing the number and date of concurrence note of IFA/CDA will be forwarded to CDA responsible for the payment.

Placement of Supply Order

24. After obtaining the sanction of GOC-in-C, a Supply Order will be prepared in centuplicate on the prescribed proforma. The supply order will be signed by the officer authorized by the CFA. The copies of the Supply Order will distributed as under:

- (a) One copy as office copy with the original will be forwarded to CDA concerned along with the bills.
- (b) Two copies to the supplier
- (c) One copy to CDA and IFA concerned as advance copy.

- (d) One copy to consignee (with photocopy to intermediate formations)

Repeat Orders

25. Officers empowered to make local purchase may place Repeat Orders, with the approval of CFA and IFA, without floating fresh tender enquiries in order to enable expeditious procurement of stores, subject to the following conditions:

- (a) Repeat orders are placed on the same supplier/firm against a previous order placed recently but not later than six months from the original order.
- (b) The same is placed only for an emergent demand.
- (c) The new demand does not exceed the original order in the case of indents of upto Rs. 50,000/- in value and 50% of the quantity originally ordered in other cases. The total value of repeat orders will not, however, exceed the financial powers of the purchasing officer in any case.
- (d) The officers satisfy themselves that there has been no downward trend in prices since the original order was placed and placement of repeat order is considered to be in the interest of the State.

Accounting Procedure

26. The equipment/stores procured under the special financial powers of the GOC-in-C are meant for use by Strike Corps and other formations and therefore, will be treated as Sector Stores. These will not, under any circumstances, go out of the Command theatre.

23. Handing/Taking over of these stores will be carried out between the relieving unit, under the supervision of the intermediate formation headquarters. The details of all the equipment and stores handed/taken over along with serviceability state will be submitted by respective Corps/Division Headquarters to GS (WE/Plg) Branch who will compile and forward a copy to the Ordnance Branch.

24. Each Formation Headquarters will ensure that no stores/equipment procured out of the GOC-in-C's Special Powers are allowed to go out of the Command theatre.

Post Contractual Matters

27. Any matters arising after placement of the supply order, having financial implications, will be referred to the CFA for his orders in consultation with the IFA.

II. Some Important Points to Remember

1. These financial powers relate to expenditure met from Defence Services Estimates and are to be exercised subject to availability of funds in the budget of the financial year.
2. Exercise of these powers will be governed by the extant orders and procedural instructions, like observance of general economy etc issued by the Govt. from time to time.
3. All procurement procedures as prescribed in the various Govt orders and other instructions such as DPM 2006 will be complied with strictly in respect of procurements of Ordnance and other items of stores.
4. Procurement under these delegated financial powers will not be done for items with long lead period so as to avoid carryover of liabilities from one financial year to the other.
5. Procurement against items falling within the preview of central procurement agencies will be communicated by respective Command HQrs to the concerned central procurement agencies so that the quantity so procured is accounted for as assets by them at the time of Annual Provision Review.
6. Details of expenditure incurred under these delegated financial powers will be provided to Army HQrs/Min of Defence by the concerned command HQrs on regular basis in terms of items and quantities procured.
7. The GOC-in-C will also ensure that there is no duplication in terms of procurement made by the Central Procurement Agencies in the Army HQrs/COD.

8. The delegation of special powers under the Govt. Order dt.12/10/98 were analogous and almost similar to those delegated to GOsC-in-C Northern and Eastern Commands vide Min. of Def letter No.(I)PC/A/89589/FP-1/743/US(0-1) dt.31/5/95 as amended by letters dated 8/8/96 and 5/8/98 and also (ii) Min of Def. letter No. PC/A/89589/FP- Virtually it is an extension of the provisions of Govt orders dated 31/5/95 as amended to cover Western, Southern and Central Commands. The main points of differences are that -

- The Govt. orders dated 12/10/98 cover aid to civil authorities in natural calamities and distress relief operations also.
- No powers are delegated in the orders dated 12/10/98 for obtaining/procurement of items by import.

These powers have now been revised vide GOI, MOD letter dated 26 July 2006.

9. The special financial powers now delegated are very substantial and are very significant and far reaching. These special powers can be used for procurement and also repairs modifications of any equipment, store, vehicle, etc. In the matter of procurement, the Govt. orders prohibit procurement of items which have not been approved by GSEPC for introduction in the Army, the only exception being NSP (non standard patterns) items to the extent authorized. There is also an embargo on procurement of items rejected by Army HQrs and DGQA. The various items which could be procured and the purposes for which these powers could be used are in general terms and lack precise definition and indication. Despite detailed instruction /guidelines laid down by the Govt. the position is that any equipment, vehicle or store can be procured as long as it is for counter insurgency operations, internal security duties or aid to civil authority and that the item is already introduced or approved for introduction in the army.

10. Considering the vast dimensions of the delegation with their significant and far reaching implications, onerous responsibility rests on IFA. In this capacity, he has to examine the various proposals for expenditure in the light of parameters governing them and respond/reach thereto within the shortest possible time. He has to keep in view the nature of requirement, its urgency,

circumstances connected with it and at the same time he has to ensure that exercise of these special financial powers does not lead to any excesses on intended use. In respect of highly sophisticated items for procurement the IFA may have to rely, to a large extent, on the technical evaluation/appraisal of the item.

11. Proposals should be examined with an open mind and dispassionate view taken on the merits of the case. Under the IFA scheme, IFAs are part of the management and are actively involved and associated with decision making. This should not be lost sight of.
12. IFA's role (as distinct from audit role), involves scrutiny of proposals from financial angle to safeguard Govt. interest and ensuring optimum utilization of available resources. In this process occasions may arise where the IFA may have to be a little flexible and pragmatic so long as the overall objectives are achieved and the action is within the overall ambit of Govt. policies/instructions and no basic financial principles are violated/ compromised.
13. In addition to the various points the foregoing general guidelines, the following guidelines which are specific and in relation to the Govt. orders dated 12/10/98 as amended from time to time are laid down.
 - (1) Necessary budgetary allocations are available in the year's budget to meet the expenditure.
 - (2) What are the items proposed for procurement, are they standard and already held and approved for introduction in the Army or they are totally new and non-standard pattern?
 - (3) If the item is NSP item, are they confined within the scope of the Govt orders and no item rejected by AHQ on trial evaluation is proposed for procurement of NSP item?
 - (4) What justification has been provided for procurement; is the item required and directly related to the operations covered by the Govt orders and GOC-in-C is satisfied?

- (5) In the case of NSP items where Army may have no past experience of its performance, how its performance and suitability to the particular operations for which intended, been evaluated and assessed? If trials have been conducted, are the trial reports available and found satisfactory?
- (6) How is the quantity projected for procurement has been arrived at and on what basis; is it related to and commensurate with the size and duration of operation; have the quantum already available out of earlier procurement, if any, taken into account; what has been the pattern of utilization and wastage in the past?
- (7) In respect of procurement of NSP items greater care and caution is required, as any surplus items left over may not have much use for the Army otherwise after the operations.
- (8) What is the value involved and how this has been arrived at; is the tendering procedure followed as per rules and satisfactory; how the tenders compare with each other in matters like rate, delivery terms, delivery schedule, terms of payment, warranty, after sales service etc.? In case Limited Tendering has been resorted to, whether the reasons therefor and the list of vendors has approval of the competent authority?
- (9) What are the details of credibility, past performance etc. of the tenderers particularly in the case of NSP items?
- (10) Does the proposal have the effect of duplicating procurement by Central Procurement Agencies?
- (11) Procurement against items normally procured by Central Procurement Agencies have been reported to them to make suitable adjustments in quantities during Annual Provision Review.
- (12) Proposal for repairs should be scrutinized as to rates, their reasonableness, competence and past experience/performance of the tenderers.
- (13) Negotiations, if at all held, should be only with the lowest tenderer as per CVC directives of November, 98 revised from time to time.

- (14) In respect of special items of contingent expenditure, are they directly related to the operations and certified as such by the GOC-in-C.
- (15) Do the other items of contingent expenditure fall within the scope of the Govt. orders and they are not excessive or disproportionate to the operations?
- (16) Expenditure on training of troops/exercises out of contingent grant is reasonable in quantum and all conditions and parameters prescribed for Annual Training Grant have been fulfilled/compiled with.

Special Financial Powers of GOC-in-C Northern and Eastern Commands for urgent/immediate requirements for CI(Ops)/IS duties/Siachin Glacier and Aid to Civil Authorities

Major Head 2076, Minor Head 110C

1. Purchase of Stores of Ordnance Origin	GOC-in-C	Upto Rs. 10 Crs per transaction
2. Sector Stores	GOC-in-C	Upto Rs. 2 Crs per transaction
3. Import of Stores against payment in FFE	GOC-in-C	Up to Rs. 2 Crs per transaction

Major Head 2076, Minor Head 800

4. Miscellaneous and Contingent Expenditure	GOC-in-C	Upto Rs. 10 Lakhs per transaction
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Notes:

(a) The powers at Ser 1 to 3 above are subject to overall limit of Rs. 100 Crs and Rs. 50 Crs per annum for Northern Command and Eastern Command, respectively.

(b) The GOC-in-C Northern Command will also exercise the above financial powers for meeting urgent/immediate requirements of RR CIF/Force/Bns/Units up to a ceiling of Rs. 25 Crs per annum to be allocated additionally out of the RR budget under MH 112 F(b).

2. The powers at Ser 4 are subject to a limit of Rs. 1 crore per annum per Command

3. The powers at Ser 1 to 4 above are subject to the condition that all purchases under the powers exceeding Rs. 5 lakhs will be processed and done with the approval of Tender Purchase Committee constituted by the GOC-in-C and will include a rep of IFA. The aforesaid requirement does not apply to items available against DGS&D rate contract.

4. The special financial powers will be exercised by GOsC-in-C, Northern and Eastern Commands only in consultation with respective IFAs except in respect of expenditure on immediate repair and maintenance of equipment and items procured under these powers through Ordnance/EME to the extent provided in Note 5 below.

5. Immediate and urgent repairs and maintenance of equipment procedure under these powers up to an annual ceiling of 1% of the overall limit contained in Note 1 above will be sanctioned under the local purchase powers delegated to Ordnance/EME functionaries in Schedule XII. The expenditure on such repair and maintenance will be accounted for separately for compilation together with other expenditure incurred in exercise of the special financial powers under Minor Head 110(C).

6. The special financial powers as prescribed in Govt orders and instructions will be compiled with in respect of procurement of ordnance and other items of stores.

7. Detailed procurement procedure as prescribed in Govt orders and instructions including those in respect of similar special financial powers in respect of Central, Western, Southern and South-western Commands will be compiled with in respect of procurement of ordnance and other items of stores under these powers.

Common Deficiencies in Proposals

- Statement of cases requiring financial concurrence does not provide existing facilities, justification for augmenting, authorization of scales vis-à-vis deficiencies.
- Tender enquiries do not provide full specifications of the items proposed to be procured.
- Specifications where given are tailor-made.
- Financial status of the company not before issue of tenders.
- Open tendering not resorted.
- Quotations obtained from unregistered firms.
- Option clause for additional quantity required at future date at the same rate not incorporated in the tender enquiry in some cases.
- AMC cost not indicated, where indicated is arbitrary and not in relation to the procurement cost.
- Prevailing taxes structure i.e., CST, ST, ED etc not taken into consideration.
- Branded items included in the TE against CVC guidelines.
- Payment terms not specified. Where specified not in conformity with standard terms.
- Advance payments proposed without justification.
- Two bid system not followed in some cases.
- The technical evaluation committee did not have an outside member.
- Commercial bids not opened in the presence of IFA.
- Negotiations proposed with L-1 and other firms.
- Negotiated process not communicated in writing.
- When the L-1 backed out L-2 recommended.

- The PDC not realistic as it did not relate to normal time required for delivery.
- Bypassing the lower IFA and taking sanction from higher CFA under their inherent powers.
- Clubbing different items in one Tender Enquiry in the name of turnkey project and avoiding competition.
- Rejecting firms on flimsy ground at TEC stating Make & Model not specified, original form not submitted etc;
- Non updation of vendor list.
- Copy of approved vendor list is not made available IFA.
- Availability of funds not indicated.
- Items proposed for procurement not authorized.
- Quotations not enclosed.
- Items procured with out calling quotations.
- Quotations found to be received form firms who were not invited to quote.
- Quotations not bearing State Govt. sales tax and CST registration numbers.
- CST not forwarded.
- In some cases, it was observed that the date of CST in prior to the date of quotations.
- Last purchase rates not shown in CST.
- The specifications of the item to be procured are unclear and unspecific.
- The concerned unit/formation not enclosed its recommendations.
- In some cases. Recommendation for procurement is made in favour of a firm other than the lowest but the reasons therefore are not found recorded in the proposal.

- Present holding (stock position) and distribution not shown.
- Justification for the procurement/scale.
- Authorization of various items proposed to be procured, if any.
- Basis of the estimated cost.
- Items available from DGS&D rate contract proposed to be procured through limited tendering.
- Proposal for procurement of stores/execution of projects not covered in the PPP/MWP/AWP submitted to IFA for concurrence.
- A large number of proposals are initiated without ascertaining the requisite budget support resulting into the wastage of all round efforts in terms of manpower.
- Incase of procurement of propriety items, requisite certificates are not obtained from the supplying agency, accepted by user & countersigned by the CFA.
- No specific provisions are made in the supply orders for the following important aspects.
- Payment of ST, Custom Duties, Octroi etc., or otherwise.
- Arbitrary imposition of liquidated damages for non-adherence of delivery schedule.