

Office of the CGDA, West Block-V, R.K.Puram, New Delhi-605
Pr. IFA Wing

INSTRUCTION NO. 21 OF 2008¹

No. PIFA/IO/2008

Dated: 17th Dec. 08

To

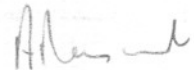
All PCsDA/CsDA/IFAs/RTC/PCDA HRD

- Sub:** 1. Common shortcomings noticed in the IFA offices during Inspection.
2. Circulation of checklists prepared by IFA Training Command AF.

During inspection of the offices of field IFAs by IFA MC, it has been noticed that cases of financial concurrence are being dealt with by some of the field IFAs in a casual manner without ensuring compliance with the various provisions in DPM, GFRs and other related Government instructions. Many of these inspection points have general relevance to all IFAs. The shortcomings brought to the notice of this office are appended in the Annexure 'A' for information and guidance of all concerned.

2. The checklists for Works proposals have been circulated vide IO No. 6 of 2008 dated 27.2008 and similarly checklists for various grants schedule-wise have been provided in the IFA Manuals of Army, Navy and Air force. In addition to the above, Checklists for Works and proposals relating to various grants have been prepared by IFA Training Command AF Bangalore, which are also circulated for information and guidance, as per Annexure 'B' and Annexure 'C'.

Pr. IFA has seen.


(Anuradha Prasad)
Jt. CGDA (IFA)


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for kind information.

with the request to place the circular on the website.

for kind information.


(Anuradha Prasad)
Jt. CGDA (IFA)

¹ Instruction No. 1 to 21 issued in 2007

- (i) **Provisioning cases are not scrutinized as per checklist given in the IFA Manual and the SOPs. The following points were noticed:**
- (a) In working sheet CAR (Current Annual Rate) is zero but the requirement was projected without giving any justification.
 - (b) Firm Task letter based on which requirement was worked out is not placed in case file. On verification of Task letter (which was brought from unit) it was found that revised task qty was less whereas the requirement was worked for Task qty.
- (ii) **Sanction of Expenditure Beyond CFA's Powers** – Cases have come to notice where financial concurrence has been given by the IFA for basic price + taxes. While the basic price was found to be falling within the powers of the CFA in consultation with the IFA, total cost (inclusive of taxes) exceeded the financial powers of the CFA. In a case where the CFA's financial powers were Rs. 25 lakhs in consultation with the IFA, financial concurrence was given to a proposal with basics price as Rs.21.60 lakhs + taxes. On taking into account taxes, the financial effect of the proposal went up to Rs. 25.30 lakhs which was beyond the powers of the CFA. Exercise of financial powers in such a manner is irregular.
- (iii) **Price Negotiations in cases beyond CFA's powers** - Instances have been noticed where on opening of tenders the rate quoted by L-1 was beyond the financial powers of the CFA. Accordingly, the case was to be processed at the level of higher CFA. However, price negotiations were carried out with the L-1 vendor to bring its rate within the powers of the lower CFA. For instance, in a case of development of TVC trolley where the CFA's powers were Rs. 25 lakhs and L-1 had quoted Rs. 25.50 lakhs, price was negotiated at the level of lower CFA to bring it within his powers instead of referring the case to the CFA within whose powers the originally quoted cost fell.
- (iv) **Amendment to LD Clause after placement of supply order** – With the issue of DPM-2006, maximum amount of LD was reduced from 10% to 5%. It was observed during inspection that even in cases where RFP included the LD clause of 10% and supply order also placed in consonance with this clause, on issue of DPM-2006, amendments to LD clause from 10% to 5% were incorrectly issued with the concurrence of IFA. The provisions of DPM-2006 were to be applied to the cases where tendering action had not been initiated and should not have been applied to the cases already finalized.
- (v) **Incorrect application of LD clause** – It was observed that in one of the units, LD clause incorporated in the supply order was 0.5% per month instead of 0.5% per week or part thereof as indicated in DPM-2006. It was observed that the clause had been incorrectly incorporated in the supply order placed during the last one year and had gone undetected by the IFA during scrutiny of the supply orders.
- (vi) **Non-adherence to proper tendering procedure** –The following procedural irregularities were noticed-
- (a) Quotations were accepted from the vendors in response to telephonic enquiry instead of a RFP.
 - (b) Cases were processed based on budgetary quotes instead of proper quotations.
 - (c) Decision to hold CNC meeting was taken without the involvement of IFA or CFA. Financial concurrence was given to all such cases by the IFA without pointing out the procedural lapses.
 - (d) RFP was floated without financial concurrence by the IFA from AON angle.
 - (e) Retendering action was taken without consultation with the IFA.

(f) Extension of time for bid opening was approved by the CFA without IFA's concurrence.

(g) Transactions were split to bring them within the powers of the lower CFA.

It may be noted that procedural correctness of financial transactions must be ensured by the IFAs.

(vii) **Irregular Counteroffer** – As per para 5.10 of DPM 2006, quantities can be apportioned if L1 does not have the capacity to supply within the delivery period as per RFP. For this, after loading L1 as per its capacity and past delivery, order for the balance quantity can be placed at L1's rate on L2, L3 and so on in that order. However, it was observed that the IFAs allowed counteroffer to other six vendors at L1 rate. While five vendors declined to accept the offer, one of the vendors accepted it. The action of the IFA was in violation of instructions on the subject.

(viii) **Exercise of Option Clause for a higher quantity** – As per para 7.13 of DPM 2006, the purchaser retains the right to place orders for additional quantity upto a maximum of 50% of the originally contracted quantity at the same rate and terms of the contract. However, it was observed during inspection of one of the IFA offices that the originally ordered quantity of 104 Nos was increased to 224 Nos during the currency of the contract. Thus quantity was incorrectly increased by 160% against the permissible limit of 50%.

(ix) **Invocation of repeat order clause in Civil Hired Transport contract** - Wherever there is a need for hiring of civil transport at periodical intervals, there is a provision of conclusion of half-yearly / annual contracts which could either be in the form of a rate contract or could be a fixed quantity contract. However, it was observed that hiring of 9 ton truck trailer was resorted to by one of the units in an adhoc manner by placing repeat orders four times within a period of four months. All cases were concurred in by the IFA without raising any objection or advising the unit to conclude a contract

(x) **Irregularities noticed in dealing with Indigenisation cases** - The following irregularities have been observed on scrutiny of some of the cases of indigenisation cleared by the IFAs:-

- (a) No assessed cost was worked out by the Board of Officers at AON stage to act as a benchmark for the rates quoted by the vendors.
- (b) Submission of complete details in Bill of material was not insisted upon.
- (c) Complete justification for indigenisation indicating accrual of likely savings, quantities required per year, residual life of the equipment/ aircraft for which the component is required, etc. was not found mentioned in the SOC.
- (d) Despite negotiated rates being 200% higher than the estimated cost in one case, no justification for acceptance of the same was found recorded anywhere in the notings.
- (e) Excise duty was found charged on development cost also whereas it is exempted from ED. Supply order was also placed admitting ED on the development cost.
- (f) Development cost and prototype cost was not mentioned separately by the vendors and was amortised in the future cost without indicating the cost or the quantity over which amortization had been done. As a result, E.D. and VAT/CST were charged on the entire cost whereas development cost should have been exempt from taxes and duties. Also,

there was possibility of over charging by the vendors in the absence of details of amortization of development cost.

- (g) In the CST, development cost and prototype cost element-wise i.e. Material, Labour cost, Profit, etc. have not been shown in the absence of which comparison of element-wise cost with L-2, L-3 rate could not be made in order to arrive at reasonability of rates and to negotiate the rate with L-1 firm.

(xi) **Local purchase of Indigenised stores against provisioning reviews (PRs) –** Purchase of indigenised stores is to be made centrally for the quantities to be worked out based on the Provisioning Reviews (PRs). However, it was found that numerous units were making local purchase of stores which can be resorted to only for three months' requirements on non-availability of stores through the normal channel of supply. This is irregular and needs to be objected to by the IFAs.

(xii) **Increase in rate during validity of local certification –** Items which are indigenised are generally issued local certification (LC) for a period of three years. However, it was observed that the prices mentioned in the LC were increased on the representation of the vendor by the CFA in consultation with the IFA. As per Rule 247 of FR Part I Vol. I, in case of increase in the contract rates during the currency of the contract, approval of next higher CFA is mandatory. In the subject case, approval was given at the level of lower IFA only instead of referring it to the higher CFA.

IFAs are requested to scrutinize the proposals by adhering the laid down procedures/orders, with a view to avoiding the shortcomings as brought out above.

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CHECK LIST FOR CIVIL WORKS

1. GENERAL CHECKS

1. All fresh cases to be submitted to IFA in duplicate, one to be retained at IFAs office for record. The second should contain copies of noting, B.P, A.E, and all other documents.
2. Board Proceedings, statement of case, Approximate Estimate Part I &II, copies of relevant orders, policy letters, if any, etc are placed in file.
3. The proposal is included in the AMWP of the year.
4. Overall ceiling limit specified in AMWP is adhered to.
5. Reply to IFA's observations, if any, should be specific and to the point.

2. BOARD PROCEEDINGS AND SOC.

1. B.P clearly lays down the scope of the work to be done
2. B.P outlines the detailed justification of the work in terms of necessity
3. Special items of work proposed are in conformity to the conditions prescribed in Para 6(b) of DWP-2007 and are adequately justified in the SOC.
4. Following documents/certificates are enclosed with B.P
 - i) Lay out plan/ line plan
 - ii) Accommodation statement Part I & II (if applicable)
 - iii) Certificate to the effect that Spl. Items of work will not introduce a new practice or change in scale. (if applicable)
 - iv) Engineering Appreciation
 - v) Land Availability Certificate (if applicable)
 - vi) Water & Electricity availability certificate (if applicable)
 - vii) Declaration by GOI in case of prestigious bulding.
 - viii) Rough indication of cost.
5. Air conditioning, Cooling appliances, Stand by Gen. Sets etc provided in the B.P are as per authorized scales. If not, justification thereto with necessary sanction from the competent authority to be furnished.
6. Provision of new furniture is justified in B.P.
7. Particulars of buildings to be demolished with detailed reasons.

3. APPROXIMATE ESTIMATE PART I&II

1. All items included in A.E are covered by B.P
2. AE scrutinized and signed by the appropriate higher authority.
3. Special items of work catered in the AE are in accordance with BP/SOC.
4. Plinth Area norms are applied correctly
5. Expected credits are properly accounted for.
6. Arithmetical calculations are correct.
7. Scales adopted are correct and latest and supported by authority.
8. Specifications have been correctly applied.
9. Rates are applied correctly based on SSR/ED.
10. In cases, where rates adopted from a job already approved, a copy of CA of that job attached with AE.
11. Quotations and rate analysis are attached in support of Market rates.
12. Quarterly return of market variation and DCS are attached with AE.
13. The percentage of MV and DCS applied in the AE are correct.
14. Allowance on account of restricted area/hilly area etc are correctly applied.
15. Area furniture rate list attached with AE.

16. The requirement of electricity and water has been worked duly taking the existing availability in to account.
17. The requirement of furniture has been assessed duly taking the surplus furniture available at the station in to the account.
18. Break-up of furniture based on different categories of buildings is given.
19. Special works if any are as per norms/scales and certificates to the effect that no new precedent/procedure is being set, is to be attached, if necessary.

4. FINANCIAL CONCURRENCE CASES (CIVIL WORK CASES)

1. The work was released within one month from the date of sanction. If not, reasons thereof are given.
2. A copy of Administrative Approval and Technical sanction are placed on the file.
3. In case of delay in tender action beyond three months from the date of AA, reasons for delay have been furnished.
4. The case does not involve change in scope of work. In case of unavoidable change, detailed reason have been furnished in a SOC along with a draft corrigendum.
5. Reasons for not tendering some items along with main tender are given.
6. Works sanctioned by different CFAs are not clubbed together for tendering.
7. Abnormal delay in planning and finalization of tenders resulting in time and cost overruns have been explained and justified.
8. Sufficient period of the validity of the tender is available for processing the FC case.
9. Following certificates are attached with the FC cases.
 - i) The rates quoted are reasonable on prevailing market rates
 - ii) Re-tendering is not likely to lead reduction in rates/total cost of the tendered item.
 - iii) The excess is not due to change in the scope of the work.
 - iv) The excess on the contract can not be met from any other saving.
 - v) Scope of the work tendered is as per AA.
 - vi) No superior specification have been adopted.



CHECK LIST FOR PROPOSALS RELATING TO VARIOUS GRANTS VIZ. ATG, ACG, SAG ETC.

AON STAGE

1. All cases in duplicate with all documents/papers at all stages.
2. Self explanatory SOC with all relevant information.
3. Copies of Govt/Air hqrs orders quoted as reference in the SOC.
4. No specific brand proposed for any item.
5. Justification for No. of units/items proposed for procurement (qty in stock & date of purchase).
6. when the proposal is submitted for replacing the existing equipment:
 - a. Utilization of the existing equipment.
 - b. If it is BER, recommendation of the BOO.
 - c. If it is technologically obsolete, recommendation of BOO.
 - d. If spares are not available, the certificate from the OEM.
 - e. Feasibility of buy back policy.
7. Mode of tendering such as LTE/STE/OTE.
8. PAC (if applicable) for the propriety article from the competent Air Force Officer.
9. Approximate/Total estimated cost of the proposal.
10. Fund Availability certificate.
 - a. Code Head under which the expenditure is proposed.
 - b. Total allocation under each head.
 - c. Committed Liability carried forward from the previous year.
 - d. Balance available for fresh commitments in current financial year (ii-iii).
 - e. Commitments already made during the current financial year.
 - f. Cash outgo expected in current financial year against(v) above based on schedule of delivery and payment terms in supply orders/contracts.
 - g. Net balance available for further concurrence.(iv-vi).
11. Schedule under which the financial powers delegated.
12. For Rate Contract- Copies of the similar specifications of other models/brand.
13. For AMC-All proposals submitted well in advance.
14. For Stationery items- Demands of Self account unit and its lodger units
 - (a) The proposal is annual or for a particular quarter.
 - (b) NAC from RSD
 - (c) Ensure that no. of items no exceeding the demand made to RSD.
15. Recommendations of penultimate CFA.

VETTING OF DRAFT TENDER ENQUIRY

1. Extra copy of draft tender enquiry and the note for shadow file.
2. Copy of sanction of CFA for AON.
3. Draft tender enquiry is prepared as per the prescribed format.
4. Clear description and specifications of the items.
5. All standard terms and conditions such as:
 - a. LD clause.
 - b. Risk and purchase clause.
 - c. PBG clause.
 - d. Security deposit clause.

- e. Option clause.
 - f. Repeat order clause.
 - g. Payment terms.
6. Registered/ approved vendor list with the TE.
 7. Bid system whether single or two bids i.e techno-commercial and price bids.
 8. Validity period-90 days for singlebid and 120 days for two bid.
 9. Delivery period and schedule (should be very specific).
 10. Warranty clause.
 11. Inspection Authority.
 12. Place of inspection.
 13. Packing instruction.
 14. Arbitration and jurisdiction of courts.

VETTING OF SUPPLY ORDER

1. Clear description, specification and no. of items as in the draft tender enquiry.
2. Prices have been indicated correctly and taxes and duties and other charges if any, shown separately.
3. Terms of delivery has been correctly specified.
4. Name of supplier approved by TPC as L-1:
5. All standard terms and conditions mentioned in draft tender enquiry such as:
 - a. LD clause.
 - b. Risk and purchase clause.
 - c. PBG clause.
 - d. Security deposit clause.
 - e. Option clause.
 - f. Repeat order clause.
 - g. Payment terms.

EXPENDITURE ANGLE SANCTION

1. TPC proceedings and the L1 approved by the CFA along with CST.
2. All taxes, duties, charges etc have been taken into account for determining L-1.
3. LPP and last supplier have been mentioned in the CST.
4. Price negotiation incase the price received is not satisfactory/justified vis-à-vis LPP/estimated price.
5. Fund availability to incur the expenditure.

CHECK LIST FOR PROPOSALS RELATING TO IT GRANT

AON STAGE

General check

1. The proposal is submitted in duplicate (one unit's copy & the other IFA's copy) with all documents/papers at all stages.
2. Self-explanatory SOC is enclosed.
3. All relevant Govt. orders, AFO's, BOO quoted in SOC, enclosed alongwith the SOC.
4. Approved Draft IT Scale is enclosed.
5. AITBP (Annual IT Budgetary Plan) approved by Air HQrs. is enclosed,
6. Items have been included in PPP.
7. Present stock of the items on hand, details thereof (rate, supplier, SO no., qty) and their usage has been furnished in detail.

8. Estimated cost of procurement has been given w.r.t. LPP/Budgetary Quotes or based on the market survey, with details.
9. Statement showing details of LPP/details of market survey is enclosed.
10. Fund availability certificate enclosed as under:-
 - (i) Code Head under which the expenditure is proposed.
 - (ii) Total allocation under each head.
 - (iii) Committed Liability carried forwarded from previous year.
 - (iv) Balance available for fresh commitments in current financial year (ii-iii)
 - (v) Commitments already made during the current financial year.
 - (vi) Cash outgo expected in current financial year against (v) above based on schedule of delivery and payment terms in supply orders/contracts
 - (vii) Net balance available for further concurrence(iv-vi).
11. Recommendation of penultimate CFA is enclosed.
12. Purchase is not being split-up simply to bring the value within the financial power of the lower CFA.
13. Quantities have been vetted by a specialist officer.
14. Feasibility of buyback provisions has been explored.
15. Item is available on DGS&D Rate Contract.
16. In case of single tender/PAC certificate has been signed by an authorized officer.

In case of purchase of Computer Systems, provision of network, etc., following points have been verified:-

- (i) For networking projects, proposed networking architecture including inter section distance nodes are furnished.
- (ii) In case of operating system softwares, details of PCs upgraded with computer processors to suit the new operating systems to be installed and the operating systems held in the PCs requiring replacement are furnished.
- (iii) Compatibility aspect has been looked into in case of new systems to be integrated with the existing system.

In case of purchase of Systems/application software and Technical consultancy for IT Projects and IT Training, following points have been verified:-

- (i) SOC clearly points out that training cannot be arranged in-house due to lack of expertise.
- (ii) Competence and credibility of outside agency and their past experience in imparting training has been verified.
- (iii) All options such as arranging training at the vendor's location on vendor's equipment or user's location but on the vendor's equipment or user's location on the user's equipment have been considered, while considering outsourcing of training.
- (iv) All avenues have been exhausted by IAF including development of similar software by any other Commands either-in-house or through an outside agency.
- (v) Consultancy project is such that it cannot be executed in house.
- (vi) The proposal has been vetted and recommended by technical specialist.

In case of purchase of Computer Peripherals and ancillaries, following points have been verified:-

- (i) If purchase has arisen due to existing computer peripherals and ancillaries having become Cat "E" or due to non-availability of spares/consumables, the date of purchase of the items and expenditure incurred on repairs is furnished.

- (ii) BOO proceedings are there condemning existing computer peripheral and ancillaries in case of replacement items.
- (iii) If the items are under AMC, the OEM certificate of unserviceability / obsolescence is enclosed.
- (iv) Items proposed for purchase are authorized for use as per the SOP.
- (v) Quantum/volume projected for procurement has been justified by the users and technically qualified functionaries in charge of such assessment.

In case of purchase of Computer Stationery and Consumables, following points have been verified:-

- (i) Requirement of Computer stationery has been worked out with respect to actual average annual consumption of last 3 years based on computers held on charge. In case of increased demand, justification given.
- (ii) Stock levels of computer stationery and consumables do not exceed four months' requirement and do not fall below three months' requirement
- (iii) Details of computers likely to be added or likely to become obsolete have been given while justifying the quantity of consumables to be purchased.

In case of purchase of Repair and Maintenance of Computer Systems, following points have been verified:-

- (i) Requirement to upgrade, repair and maintenance of computers and peripherals for various units has been consolidated at the CFA level.
- (ii) Possibility has been explored for bringing the items of similar nature under an ongoing AMC on pro rata basis and whether it will be more cost effective.
- (iii) Certificate to the effect that the spares stocking level is not more than 4 months' requirement and not less than 3 months' requirement is enclosed.

VETTING OF DRAFT TENDER ENQUIRY

General check

1. Draft Tender Enquiry is prepared as per prescribed format.
2. All standard terms and conditions are included in TE particularly Security Deposit clause, PBG clause, payment terms, LD clause, Risk and expense purchase clause, Option clause and Repeat order clause.
3. Registered/approved Vendor list is enclosed with the draft TE.
4. Vendor lists are updated and added on periodically.
5. It is a single bid or two bids i.e. techno-commercial and price bids, tender.
6. Validity period has been indicated – single bid to be 90 days and two-bid 120 days.
7. Delivery period and schedule is clearly specified.
8. Warranty is clearly specified in the T.E.

In case of purchase of Computer Systems, provision of network, etc., the following points have been verified:-

- (i) Payment terms are well spread over the complete implementation of cycle of the project/procurement such as delivery of hardware and its acceptance, setting up of network, complete integration, etc. and that the stages/quantum of payment are in accordance with SOP on the subject.
- (ii) In case of development of software, it is clearly brought out that the intellectual property rights will pass on to IAF after payment.

- (iii) Specifications given in the SOR are in agreement with the specifications approved by Air HQrs.
- (iv) In projects of complex nature/software development, provision is there for presentation/briefing of the vendors in the TE so that the scope of the project is clear to them.

In case of purchase of Systems/application software and Technical consultancy for IT Projects and IT Training, following points have been verified:-

- (i) Stage payments are provided for stages such as acceptance of SRS, System Design Documents (SDD), testing, etc.
- (ii) Vendor is made responsible for rectifying the deficiencies in software as per user's requirement.
- (iii) A clause regarding upgradation of software in future by the vendor who develops the software is included in TE.

VETTING OF SUPPLY ORDER

- 1. Payment terms are clearly specified.
- 2. Prices have been indicated correctly and taxes and duties shown separately.
- 3. Terms of delivery has been correctly specified.
- 4. Supply order have been placed on L-1.
- 5. Specification given in the contract are in accordance with T.E. and accepted by the firm.
- 6. All standard terms and conditions are included in S.O. particularly Security Deposit, PBG clause, LD Clause, Risk and expense purchase clause, Option clause and Repeat order clause.

EXPENDITURE ANGLE SANCTION

- 1. All the standard points have been seen and verified.
- 2. TEC recommendation approved by CFA.
- 3. In case of single technically acceptable offer, retendering has been recommended by making QRs more broad-based.
- 4. Price negotiation should be conducted in cases where the L-1 price is not satisfactory w.r.t. LPP/estimated rate.
- 5. LPP and last supplier have been mentioned in the CST.
- 6. All taxes, duties, charges etc have been taken into account for determining L-1 in the C.S.T.
- 7. Funds are available to incur the expenditure.

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