

**Minutes of the Annual Zonal/Sectoral Review Meeting with the CMDs/Chief Executives and CVOs of the Defence Sectors held on 23.11.2011.**

Shri Pradeep Kumar, Central Vigilance Commissioner (CVC), chaired the meeting. Shri R. Sri Kumar & Shri J.M. Garg, Vigilance Commissioners also addressed the participants.

List of Participants is at Annex.

**A. Introductory Remarks.**

Central Vigilance Commissioner in his opening remarks emphasised that in Defence Sector major complaints received, pertain to procurements, non-framing of QRs properly etc. To curb the same, he suggested there is a need to frame procurement guidelines carefully, reduce discretionary powers and for ensuring equity and level playing field. He also stressed the need to carry out systemic improvements. He emphasised the use of e-procurement, e-tendering and proper codification of procurement procedures in the manuals. Further, he stated that it was important to ensure rotational transfers on sensitive positions in organisations for effective control. He also mentioned that it was necessary to take quick decisions in respect of all vigilance related matters to ensure proper justice to the honest employees and adequate punishment to the guilty ones.

Shri R Sri Kumar, Vigilance Commissioner, (VC(S)) emphasised that e-payment & e-procurement need to be taken to logical conclusion. He further stated that since vendor development is a critical activity, all necessary tools available for improving systems and functions should be used.

Shri J. M. Garg, Vigilance Commissioner, (VC(G)) emphasized the need for structural meetings between CMDs and CVOs regularly and improving HR policies of the organizations periodically. He further stated that the outcome of CTE type inspections done by CVOs need to be brought out.

**B. Organisation specific:-**

**1. Hindustan Aeronautics Ltd. (HAL)**

Shri P.V. Deshmukh, CMD, HAL highlighted the preventive vigilance practices started in HAL, informed that a fortnightly bulletin on specific issues brought out by Vigilance Department to create awareness on rules, regulations procedures etc. highlighting common omissions observed by Vigilance Department has been started. Under 'Sampark' scheme, the CVO and a team of three officers visit one division in a fortnight as part of the awareness campaign. Vigilance Department has instituted an annual lecture on vigilance, anti-corruption and related themes to be delivered by eminent personality. Quarterly Vigilance Committee Meetings at the plant level are conducted by the Vigilance Department engaging the Management and its representatives where vigilance issues are discussed at length. Vigilance Department in HAL, has carried out various inspections and checks in sensitive areas prone to corruption like, procurements, outsourcing, recruitment, maintenance, civil works, hospital management, allotment of quarters/township management etc. He also mentioned some important policy changes brought out in last one year like the policy, regulating the aspect of freight and insurance charges, a transparent system in the Appointment of Consultants put in place as this was one of the areas which needed immediate attention in view of the changing

business strategies globally. As per directions of CVC and the Ministry, amendment to the service rules (Conduct Discipline & Appeal Rules) for incorporating provision for continuance of disciplinary after retirement and imposition of penalty issued. Further, the Code of Business Conduct & Ethics for Board Members & Senior Management of HAL has been adopted in the Company with effect from 1<sup>st</sup> January 2008 to enhance ethical and transparent process in managing the affairs of the Company. The adoption of the Code was in compliance with the guidelines on Corporate Governance issued by DPE. The Company has adopted Whistle Blowers Policy to create a culture of prompt redressal of complaints and also to ensure confidentiality of the complainant. The Company has now mandated e-Procurement for all orders worth Rs.10 lakhs and above. HAL has adopted e-Payment to its vendors and employees as well covering 90% of payments both in value and quantity.

CVC emphasized on the need of e-procurement and e-payment which results in cost saving. He mentioned that e-procurement is globally accepted practice and results in cost saving. CVC further desired that Deptt.of Defence production may take review of all PSUs and prepare a check list for e-procurement and Integrity pact and do constant review in this regard. CVC also emphasized on the need of having transparent manuals on vendor development and asked Ministry of Defence to take a lead to have transparent policy in this regard.

## **2. Bharat Electronics Ltd. (BEL):**

Shri Anil Kumar, CMD, BEL in his submission mentioned about preventive vigilance practices and System improvement done in the Organisation. He stated that BEL has revised the Sub-Contract Manual and the Works Contract Manual, also adopted Integrity Pact for Orders / Contracts of value Rs.20 crores and above, e-tendering for Works Contracts, e-auction for disposal of scrap and surplus have been implemented in BEL and e-procurement of production items a SAP Supplier Relationship Management (SRM) module has been configured, publication of the details of Purchase Orders / Sub Contract Orders for production items with a threshold value of Rs. One Crore and above on company's website has been introduced, ECS / EFT implemented in respect of payment of Salary to employees and in respect of payment to vendors, Tenders awarded above threshold value of Rs.10 lakhs and above are put on website in respect of Works Contracts / Capital items / Non-production items, details of publication of Works / Purchase / Consultancy Contracts awarded on nomination / single tender basis valuing Rs.5 lakh and Status of Bill Payments to Contractors / Suppliers is also made available on BEL website. Online application for Registration of Contractors for Works Contracts and online applications for recruitment is available on the website, online submission of Public Grievances by individuals as well as organizations has been facilitated.

CVC emphasized on the need to have standard manuals on vendor development and emphasized on the need to have multi vendors as far as possible. On reverse auction, CVC directed the Defence PSUs to have discussion with other companies, like BHEL.

## **3. Bharat Earth & Movers Ltd. (BEML):**

Shri V.RS. Natarajan, CMD, BEML emphasized on preventive vigilance. He has stated that the inputs given by CTE are meticulously followed in BEML. The company has a system of receiving complaints on portal, ERP is in place. Presently, e-procurement is being resorted to in respect of 60% of the total procurements and the target is to achieve 100% e-procurement

by the year end. The company has also appointed Risk Management Consultants. He raised the problems being faced by the company in respect of foreign exchange transactions. In this respect VC(G) suggested that there is an Advisory Board constituted by CVC and BEML can consult the Board in respect of foreign exchange matters. In respect of accounting policy problems, Addl. Secretary, Deptt. of Defence Production also advised CMD, BEML to examine and declare their Accounts policy in consultation with Institute of Chartered Accountants of India.

#### **4. Bharat Dynamics Ltd. (BDL):**

Major Gen. Ravi Khetarpal, VSM (Retd.), CMD, BDL has stated in his submission that risk management committee has been formed in BDL. He mentioned that the periodicity of monthly meeting with IEMs should preferably be on quarterly basis and by November, 2011, 100% e-procurement and e-payment will be achieved, File tracking system would be put in place by 2011-12.

Shri M. Eshwar, CVO, BDL stated that presently the percentage of procurement on the basis of single tender is on the higher side. He also mentioned that the service manual has not yet been updated. CVC directed CVO, BDL to study the procurement trend and then come up with suggestions and also directed for updating the service manual by 31<sup>st</sup> March, 2012.

#### **5. Mishra Dhatu Nigam Ltd. (MIDHANI):**

Shri M. Narayana Rao, CMD, MIDHANI mentioned that e-procurement has not yet been introduced in MIDHANI but the target is to introduce the same by December 2011. He mentioned that in a number of cases, procurements are being done on the basis of single vendor due to technical reasons. Quality aspects are coming in the way of multi vendor system. CVC emphasized on the need of having multi vendor system to ensure level playing field. CDM, MIDHANI also mentioned that HR policy is being finalized in the company and will be in place by 31.03.2012.

Shri P. Ravi, CVO, MIDHANI mentioned that job rotation is being done on regular basis and purchase policy is being re-visited. CVC directed to finalise the purchase policy by 31.03.2012.

#### **6. Ordnance Factory Board (OFB):**

Shri A.B. Roy, CVO, OFB mentioned that regular inspection is being done of civil works, Quality of material contracts frequently. E-procurement has been introduced in respect of purchases more than Rs.10 lakhs and 100% tenders are being placed on website. Addl. Secretary, Deptt. of Defence Production mentioned that procurement manual was updated last year by OFB. CVC directed that CTE, Addl. Secy. concerned in the Commission and Addl. Secretary, Deptt. of Defence Production may review OFB functioning particularly with respect to leverage of technology, e-procurement and e-payment and also suggested to have a separate meeting with CVO, OFD for review.

#### **7. Hindustan Shipyard Ltd. (HSL):**

Rear Adml. N.K. Mishra, CMD, HSL stated that e-procurement must be implemented in the Organisation by the end of November, 2011 and the Recruitment Rules would be framed by

31<sup>st</sup> March, 2012. Shri B. Suresh Krishna, CVO, HSL mentioned that under Leveraging Technology, open tenders are notified through website and details of contracts awarded over Rs.10 lakhs with status of implementation also available on the website. On IPV-5 project, a detailed report has been submitted for taking corrective measures include Administrative, Operational and Disciplinary in HSL. Computerization of APRs of all the employees completed in HSL.

**8. Garden Reach Ship-Builders & Engineers Ltd. (GRSE):**

Rear Adml. A.K. Verma, VSM, CMD, GRSE mentioned that he is reviewing the functioning of Vigilance with CVO on quarterly basis and the Board also reviews the same on six months basis. All the manuals are in place, Integrity Pact has been entered into, E-tenders are followed in respect of contracts above Rs.10 lakhs. Presently, e-payment is resorted to in respect of 90% of the payments.

**9. Goa Shipyard Ltd.(GSL):**

RAadm (Retd.) Vineet Bakshi, VSM, CMD, GSL mentioned that regular interactions take place with CVO and no major procurement has been done in GSL during last two years. ERP is in place since 2003 and e-procurement has not yet been commenced. CMD, GSL also mentioned that e-procurement will be in place by January 2012. Shri P.A. Sawant, CVO, GSL mentioned that purchase manual is being updated in view of proposed e-procurement.

**10. Mazagon Dock Ltd.(MDL):**

Shri Sanjeev Sood, CVO, MDL mentioned that MDL Management is of the view that in case a disciplinary proceeding is pending against an officer who is retiring from the services where any amount is identified in the charge sheet, the same may be withheld from the dues till closure of the case. Withholding all the dues even for the minor charges is unjustified since officer has to settle down / buy home and fulfill other liabilities. DA should have the discretion of deciding amount to be withheld. CVC directed that MDL management should first amend MDL CDA Rules as per CVC / DPE circular and then request for modifications required by them. He further stated that MDL is in the process of revising Purchase Manual and Vigilance Department is closely coordinating to ensure that CVC's guidelines are followed, transparency is maintained and lessons learnt out of vigilance cases are also included in the revised Purchase Manual and MDL management has adopted E-procurement with effect from 17.11.2011. However, Addl. Secretary, Deptt. of Defence Production pointed out that as per the commitment of Shipyards, they are supposed to process all tenders above Rs.5 lakhs value through e-procurement. VC(S) directed that MDL should conduct one day seminar on E-procurement and also invite officers from CVC and Ministry of Defence. CVO, MDL pointed out that Vigilance Department is insisting and ensuring that Hindrance Registers is meticulously maintained wherever work contract are being executed. This has the advantage that at the end of the contract, if it is going beyond the completion date, then clear cut record is available for deciding the levy of LD as well as the amount to be paid to the contractor based on price variation clause. That means, in case the delay in completing the contract is on account of the contractor, then he is not entitled for any claim for price variation if applicable in the contract. In case the delays in contract are due to the organization, then management has a tool in the form of hindrance register to investigate the causes of delays and take corrective action. CVC suggested that the idea of hindrance register looks good and all other organizations could examine this.

## **11. Ministry of Defence (MoD):**

Shri A.K. Gupta, JS & CVO, MoD explained the position of pendency under various categories. After review, CVC stressed that Vigilance set up need to be strengthened and vacant posts need to be filled up urgently. He further suggested that DRDO should have a separate CVO. Commission also took note of the achievements that (i) no prosecution sanction was pending and (ii) the pendency position of the CVC referred Complaints has shown considerable improvement during last two years.

## **12. Department of Defence Production:**

Shri V. Somasundaran, Addl. Secretary, Department of Defence Production in his submission raised the issue of man power shortage in Department. In respect of vendor development, he mentioned that DPP will come out with the guidelines and also agreed to take a note of the all directions/suggestions made by the Commission during the meeting and mentioned that there is need to conduct regular meetings to review e-procurement by DPSUs. Further, reverse auction results in tremendous cost savings and therefore needs to be implemented quickly. Progressively 100% payment by electronic means should be achieved. With regard to Integrity Pact, the Commission directed that the Department of Defence Production may report to the Commission after collating the views of DPSUs and taking into consideration the advisory issued by Ministry of Finance in July, 2011 so that clear guidelines are put in place.

## **C. Concluding Remarks:**

In his concluding remarks CVC emphasized on the need of institutionalising the system of interaction between the different stakeholders. He also requested all concerned to adhere the time limits given in respect of various actions like e-procurement, e-tendering, updating the various manuals etc. and share the mechanism between each Defence PSUs.

Meeting ended with a vote of thanks to the Chair and the participants.

## **Annex.**

### **List of Participants (CEOs & CVOs) for the meeting on 23.11.2011:**

1. Shri V. Somasundran, Addl Secy. & CVO, D/o Defence Production & Supplies.
2. Shri Ashok Kumar Gupta, JS & CVO, M/o Defence
3. Shri P.K. Gupta, Director, M/o Defence
4. Shri V. RS. Natarajan, CMD, BEML
5. Ms. Kavitha Kestur, CVO, BEML
6. Shri Anil Kumar, CMD, Bharat Electronics Ltd.
7. Shri M.N.Krishnamurthy, CVO, Bharat Electronics Ltd.
8. Major Gen. Ravi Khetarpal, VSM (Retd.), CMD, Bharat Dynamics Ltd.
9. Shri M. Eshwar, Bharat Dynamics Ltd.
10. Shri Anand Golwalkar, CGM (Production), Goa Shipyard Ltd.
11. Shri P.A. Sawant, CVO, Goa Shipyard Ltd.
12. Rear Admiral A.K. Verma, VSM, IN (Retd.), CMD, Garden Reach Ship-Builders & Eng. Ltd.
13. Shri B.K. Sahu, CVO, Garden Reach Ship-Builders & Eng. Ltd.
14. Shri P.V. Deshmukh, CMD, Hindustan Aeronautics Ltd.
15. Shri Anurag Sahay, CVO, Hindustan Aeronautics Ltd.
16. Rear Admiral N.K. Mishra, NM, IN(Retd.), CMD, Hindustan Shipyard Ltd.
17. Shri B. Suresh Krishna, CVO, Hindustan Shipyard Ltd.
18. Shri Sanjeev Sood, CVO, Mazagon Dock Ltd.
19. Shri M. Narayana Rao, CMD, Mishra Dhatu Nigam Ltd. (MIDHANI)
20. Shri P. Ravi, CVO, Mishra Dhatu Nigam Ltd. (MIDHANI)
21. Shri A.B. Roy, CVO, Ordnance Factory Board

### **Central Vigilance Commission:-**

1. Shri K.D. Tripathi, Secretary
2. Dr. Jaya Balachandran, Addl. Secretary
3. Shri Anil Singhal, CTE
4. Shri Shyam Kapoor, Director
5. Shri K. Subramaniam, Director
6. Shri J. Vinod Kumar, OSD