



IFA (AIR FORCE) MANUAL



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Controller General of Defence Accounts, West Block-V, R.K.Puram
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FOREWORD

There has been a considerable enhancement of the delegated financial powers at various levels over the years, particularly those to be exercised in consultation with the Integrated Financial Advisors. A need has, therefore, been felt for an IFA Manual that would serve as a reference guide for the IFAs and their offices, thereby facilitating prompt processing of the financial proposals in accordance with the prescribed rules and procedures and ensuring optimum utilisation of the allocated resources for meeting the defence requirements.

Accordingly, the IFA Manual has been prepared in separate volumes covering Army, Navy and Air Force. Each volume contains an overview of the IFA system and the issues and areas to be examined while processing different types of financial proposals including some advanced issues. The general provisions in each of the three volumes would be useful to all the IFAs irrespective of their functional area.

The Manual has been compiled on the basis of the provisions of the Defence Procurement Manual – 2006, the Defence Procurement Procedure – 2006, the General Financial Rules, 2005, DGS&D orders, circulars/guidelines issued by the CVC and other rules and instructions which regulate public expenditure. These shall continue to be the basic reference documents and shall override in case of any inconsistency with this Manual.



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Various other IFAs contributed by way of suggestions and inputs for incorporation in the Manual. Officials in the Pr. IFA Wing have finalized the Manual.

This is the first Manual on IFA System in Defence Services. Attempt has been made to cover all aspects of the IFA System including Service-Specific intricacies.

The exercise was elaborate and complex. It taxed the intellectual and professional skills of the officers who had first hand experience in handling the subjects.

The department acknowledges the painstaking effort of all the officials who have contributed to the exercise.

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ABBREVIATIONS

Abbreviation	Full Form
AAP	Annual Acquisition Plan
ac	air Craft
Acq	Acquisition
ADA	Aeronautical Development Agency
Addl. FA	Additional Financial Advisor
ADE	Aeronautical Development Establishment
ADGES	Air Defence Ground Environment System
AFTR	Air Field Tape Recorder System
AGM	Annual General Meeting
AGS	AirCRAFT General Standard
AHSP	Authority Holding Sealed Particulars
AIP	Approval in Principle
ALISDA	Aviation-electronic Standardization Development Agency
AM	Acquisition Manager
AMC	Annual Maintenance Contract
AOG	AirCRAFT on Ground
AON	Acceptance of Necessity
ARDE	Aeronautical Research & Development Establishment
ARS	Automatic replenishment stores
AS	Additional Secretary
ASP	Air Store Park
ASTM	American Standard for Testing Materials
ASV	Air Craft Specialist vehicles.
ATC	Air Traffic Control
ATP	Acceptance Test Procedure
AUV	Annual Usage Value
BC	Bank Commission
BFE	Buyer Furnished Equipment
BG	Bank Guarantee
BOC	Brought on Charge
BRD	Base Repair Depot
CAD	Computer Aided Design/Drafting
CAE	Computer Aided Engineering
CAM	Computer Aided Manufacturing
CAM	Computer Aided Machining
CBLS	Carrier Bomb Launching System
CCN	Computer Code Number
CCS	Cabinet Committee on Security
CEMILAC	Centre for Military Airworthiness Certification
CFA	Competent Financial Authority
CFR	Cost and Freight
CIF	Cost Insurance Freight
CIP	Carriage and Insurance Paid to
CIR	Cargo Integration Review
CKD	Completely Knocked Down
CLPC	Central Local Purchase Committee
CMD	Chairman & Managing Director
CNC	Contract Negotiation Committee

COD	Central Ordnance Depot
COTS	Commercially off the Shelf
CPR	Critical Production Requirement
CPT	Carriage paid to
CQA	Chief of Quality Assurance
CRE	Chief Resident Engineer
CSDO	Central Servicing Development Organisation
CST	Comparative Statement of Tenders
CTOT	Complete Transfer of Technology
CWP&A	Controller of warship production and Acquisition
DAC	Defence Acquisition Council
DAF	Delivery at Frontier
DBT	Direct Bank Transfer
DCF	Discounted Cash Flow
DCN	Depot Code Number
DDP	Delivery Duty Paid
DDPIL	Design, Development, Production and inspection of Electronic Equipment
DDPMAS	Design Development and production of Military Aircraft and Airborne stores
DEF	Delivery Ex-Ship frontier
DEQ	Delivery Ex-Quay
DG	Director General
DGAQA	Director General Aeronautical Quality Assurance
DGQA	Director General Quality Assurance
DIR	Defect Investigation Report
DMA	Director Maintenance Administration
DME	Distance Measuring Equipment
DMSS	Distributed Message Switching System
DOD	Department of Defence
DPB	Defence Procurement Board
DPP	Defence Procurement Procedure
DPSU	Defence Public Sector Unit
DRDO	Defence Research and Development Organisation
DTSS	Desk Top-Switching System
ECSO	Electronic Component Standardization Organisation
ED	Equipment Depot
EFC	Expenditure Finance Committee
EIC	Equipment Induction Cell
EMC	Electro Magnetic Compatibility
EMD	Earnest Money Deposit
EMI	Electro Magnetic Interference
EMP	Electro Magnetic Pollution
EOQ	Economic Order Quantity
ERP	Enterprise Resource Planning
ERV	Exchange Rate Variation
ETDC	Electronic Testing and Development Centre
FAS	Free Along Side Ship
FBSU	Forward Base Support Unit
FCA	Free Carrier Along
FE	Foreign Exchange
FF	Forecast Factor
FMEA	Failure Mode Effect Analysis
FMECA	Failure Mode Effect and Criticality Analysis

FMS	Financial Management System
FOB	Free on Board
FOH	Free Over haul Task
FOR	Free on Rail/Road
FPGA	Field Programmable Gate Array
FPQ	Fixed Price Quotation
FT	Functional Test
FTA	Follow the Air Craft
FTE	Follow the Engine
GE	Ground Equipment
GED	General Engineering Division
GES	General Engineering Section
GIG	Global Index Gallery
GOST	State Committee for the introduction of Advanced Technique
GSE	Ground Servicing Equipment
GSQR	General Staff Qualitative Requirement
HAL	Hindustan Aeronautical Limited
HIS	Horizontal Situation Indicator
HQMC	Head Quarters Maintenance Command
HU	Helicopter Unit
IAP	Indian Air Publication
ICC	International Chamber of Commerce
IDS	Integrated Defence Staff
IGA	Inter Governmental Agreement
IM	Indigenously Manufactured
IMMOLS	Integrated Material Management Online System
INDG SQN	Indigenisation and Substitution Squadron/Flight
IOH	Intermediate Overhaul task
IOR	Immediate Operational Requirement
IP	Intellectual Property
IPL	Itemized Price List
ISC	Indigenisation and Substitution Cell
ISPL	Illustrated Spare Part List
JRI	Joint Receipt Inspection
JSG	Joint Services Guide
JSQR	Joint Service Qualitative Requirement
L1	Lowest Bidder
LC	Local Certification
LCH	Locally Controlled Heads
LCSO	Electronic Component Logistic Instructions
LM	Local Manufacture
LNARS	Listed Non- ARS Spares
LOI	Letter of Indent
LRMSO	Local Repair & Maintenance Supply Order
LRU	Line Replaceable unit
LSC	Local Service Contract
LSW	Logistic Support Wing
LTB	Last time Buy
LTCC	Local Type Certification Committee
LTPP	Long Term Perspective Plan
LTR	Last time Review
MCLI	Maintenance Command Logistic Instruction
MCM	Most Critical Material

MET	Maintainability Evaluation Trial
MHL	Main Hangar Line
MOG	Missile on Ground
MOQ	Minimum Order Quantity
MPE	Maximum Potential Establishment
MPL	Master Part List (Items within Production range of HAL)
MPTO	Maintenance Planning & Technology Transfer
MRLS	Manufacturer Recommended List of Spares
MTBF	Mean Time Between Failure
MTBO	Minimum Time Before Overhaul
MTBUR	Mean Time Between Unit Replacement
MTTR	Mean Time To Repair
MWR	Maintenance War Reserve
NFMS	New Financial Management Strategies
NHQ	Naval Headquarters
NIF	Not Indigenised Feasible (Under Indigenisation)
NOC	Norm of Consumption
NIFP	Not Indigenised Feasible Pending (not loaded for Indigenisation)
NINF	Not Indigenised Not Feasible
NIV	Not in Vocabulary
NPV	Net Present Value
OEM	Original Equipment Manufacturer
OTE	Open Tender Enquiry
PA	Production Agency
PAC	Proprietary Article Certificate
PAT	Production Acceptance Test
PBG	Performance Bank Guarantee
PCB	Printed Circuit Board
PDI	Pre Dispatch Inspection
PHU	Production Hold Up
PIB	Public Investment Board
POL	Petrol, Oil and Lubricant
PPP	Priority Procurement Plan
PR	Provisioning Review
Proc	Procurement
PROM	Programmable Read Only Memory
Prov	Provisioning
PSO	Principal Staff Officer
PSR	Preliminary Staff Requirement
PSU	Public Sector Undertaking
Q-401	Requisition for internal Repair & Manufacture
QA	Quality Assurance
QAS	Quality Assurance Service
QTP	Qualification Test Procedure
RAF	Review Action Figure
RCMA	Regional Centre for Military Airworthiness
RFI	Request for Information
RFP	Request for Proposal
RM	Raksha Mantri
RMI	Radio Magnetic Indicator
RMSO	Repair and Maintenance Supply Order
SAE	Society for Automotive Engineers
SCAP	Services Capital Acquisition Plan

SHQ	Service Headquarters
SKD	Semi Knocked Down
SMD	Storage Module Device
SMT	Special Maintenance Tool
SOFT	Safety of Flight Test
SOP	Standard Operating Procedure
SOR	Schedule of requirement
SQR	Services Qualitative Requirement
SR	Short Refit
SR	Special Review
SRAM	Sideways Random Access Memory
SRC	Self Reliance Committee
SRS	Stock Record Section
SRU	Shop Replaceable Unit
SS	Special Secretary
SSF	Short Stock Figure
SSRC	Single Stock Record Card
STE	Special Test Equipment, Single Tender Enquiry
SU	Signals Unit
SWIFT	Society for World Inter Bank Financial Telecommunication.
TA	Type Approval (Related to Air borne items)
TACAN	Tactical Air Navigation
TAG	Telephone Administration Grant
TBO	Time Between Overhaul
TCA	Technical Collaboration Agreement
TEC	Technical Evaluation Committee
TM	Technical Manager
TNC	Technical Negotiation Committee
TOOC	Technical Offer Opening Committee
TOT	Transfer of Technology
TOTE	Table of Tools and Equipment
TRU	Transportable Radar Unit
TTGE	Tools Testers and Ground Equipment
TTL	Total Technical Life
TTLE	Total Technical Life Expired
URR	Urgent Repair Requirement
USR	Urgent Stock Requirement
WAN	Wide Area Network
WE	War Establishment
WLR	Weapon Locating Radar
WWR	War Wastage Reserve
YOR	Yield Off Repair

GLOSSARY OF TERMS

AGGREGATE - It is a component of a sub-assembly. This sub assembly is a part of the major assembly.

AIRBORNE STORES - Airborne stores include all items of equipment, material etc., used in the development / production / maintenance of aircraft, aero-engines, systems, equipment, flying clothing etc. All airborne items are to be certified and approved for airworthiness before use on military aircraft. Airborne stores, procured only from approved sources are to be used on aircraft.

AIR FORCE LIAISON ESTABLISHMENT (AFLE) - It is normally co-located with various Divisions of HAL. It is responsible for the following:

- Liaise with HAL for overhaul and repair jobs
- Receipt of rotables/aircraft/engines
- Store and induct Cat D rotables for repair/overhaul
- Raise LRMSO on HAL
- Monitor production progress
- Monitor defect investigation and submit Defect Investigation Reports
- Receipt after repair/servicing
- Issue and despatch

AUTOMATIC REPLENISHMENT SYSTEM (ARS) ITEMS - The IAF follows an Automatic Replenishment System (ARS) for 1st line and 2nd line consumables. Under this system, the stock of 1st line and 2nd line items available with different units is topped up once a month by the ASPs/EDs upto pre-determined stock level to replenish the concerned quantities as per scale. **Non-ARS items** are the items which are obtained on demand by the units from ASPs/ EDs.

AIR STORAGE PARK(ASP) - It is an intermediate storage point for aircraft items. It performs the following functions:

- Forward storage for ARS items, POL, MT and clothing items closer to the operating units in its geographical area.
- Issue of material to user groups(e.g. units)
- Transcription of unfulfilled demand to ED.

ASSETS - Stores available or likely to become available as a result of provisioning action already taken, i.e. stocks physically held of serviceable and repairable items plus dues-in expected against outstanding orders, including 'Repair' orders.

BASE REPAIR DEPOT - They are the IAF agencies that carry out major repairs and overhaul. Since the BRD is responsible for repair, it does its material planning and storage of spares required for repairs. A BRD carries out the following activities to support its primary task of repair :

- PR of 3rd and 4th line spares
- Receipt and storage(3rd and 4th line) and also 1st and 2nd line in a few cases
- Issue of material to user groups
- Transcription of unfulfilled demands to HQ MC/Air HQ.
- Rotable movement to and from BRD/operational units

BULK PROVISIONING - The assessment of requirement and centralised procurement of equipment in the service.

COMMON USER ITEM - An item of equipment in use by two or more fighting services.

CONSUMER UNIT - A self-accounting unit, other than a stock holding depot, authorised to demand and hold the equipment necessary for the efficient working of the unit and its dependent non-self-accounting unit.

CONSUMPTION DATA - Record of consumption of an item of equipment for a given period.

CONSUMPTION RATE - The recurring consumption over a given period after any known anomalies have been adjusted.

CONTRACT - An agreement specifying equipment which may not be issued without the permission of the provisioning authority.

CONTROLLED ITEM - An item of equipment which may not be issued without the permission of the provisioning authority.

CURRENT ANNUAL RATE (C.A.R) - This is the past recurring consumption of an item during the twelve months preceding a provisioning review, which is taken as the base annual rate of consumption for provisioning of future requirements.

DIRECT PURCHASE - Procurement of stores, which are required for stock purposes, direct from trade instead of through the central procurement agency. Direct purchase sanctions are issued to the stock holding depots/units who obtain the stores by following the procedure prescribed for local purchase of equipment.

DISPOSAL - The process of dealing with stores, which are surplus to the requirements of the service, to the best advantage of the State in accordance with prescribed procedure.

DUES-IN - Quantities of equipment due for delivery against indents, supply orders, RMS orders or direct purchase sanctions.

DUES-OUT - Quantities of equipment recorded on Provisioning Record Cards or Dues-out cards as being the unfulfilled requirements for which stock is awaited.

EQUIPMENT DEPOT(ED) - They are bulk storage points for spares required for 1st and 2nd line servicing. These depots also store non-technical items like clothing. An ED is involved in :

- Bulk receipt and storage(1st and 2nd line)
- Preservation
- Issue of material to user units(e.g. Wings) and forward storage points(e.g. ASPs)
- Transcription of unfulfilled demands to Air HQ/HQ MC

FIRST AND SECOND LINE SPARES - These are the spares used at Wings for regular flight servicing and minor repairs. The provisioning formula for 1st/2nd line spares is based on the principle that the annual rate of consumption is proportional to the number of operating hours per year.

FORECAST FACTOR - The ratio between the forecast future strength and / of effort and the actual strength and / or effort.

INABILITY - A requirement which cannot be met immediately by stockholding units.

INDENT - A formal order, prepared on prescribed forms, for supply of equipment, placed on procurement/supply agency. This term also includes RMS orders, supply orders, purchase orders placed on public sector undertakings and also direct purchase orders.

INITIAL ISSUE - A term denoting:

- (a) An issue of equipment, generally to a pre-determined scale, to enable a new unit to function, or an existing unit to change function or fulfil specific commitments, OR
- (b) The first issue of an item made against authorised scale, e.g initial issue to recruits.

INITIAL PROVISIONING - Provisioning for the first time of spares and equipment, required for an aircraft or major equipment newly introduced in the service, on the basis of recommendations of Initial Provisioning Committee, Maintenance Planning Team or Board of Officers, if constituted, or on the recommendations of the manufacturers.

IN LIEU ISSUE - The issue of an alternative item in place of the one originally required.

INTERCHANGEABLE ITEM - An item which can be used in place of another without involving structural modification of the main equipment.

INVENTORY - A list containing the description and quantities of all equipment (other than consumable stores) issued to a flight or section commander in connection with his stated duties and for which he is personally responsible. In a wider sense, this term is also used to denote the entire assets of plant, machinery, tools and spares held by an organisation.

LIFED ITEM - An item susceptible to deterioration with a definite shelf life, on expiry of which it cannot be used unless its serviceability is confirmed by inspection and test.

LOCAL PURCHASE - Purchase from trade sources of authorised items of equipment which are urgently required and are not available or cannot be obtained expeditiously from normal source of supply. Commonly available stores, which are not centrally provisioned, are also procured by local purchase by consumer units.

MAJOR ASSEMBLY - Major piece of equipment comprising more than one item/sub-assembly each of which has a distinct reference or part number.

MANDATORY SPARES - These are spares that have to be replaced compulsorily every time an assembly is opened for servicing. Thus all items having consumption norm ≥ 0.9 are categorised as mandatory items.

MAXIMUM POTENTIAL ESTABLISHMENT (M.P.E) - It is the level upto which various types of stores/equipment are authorised to be provisioned at any given time. This is expressed in terms of so many months requirements and denotes the period ahead for which requirements of equipment must be provisioned in bulk. This is also known as the forward ordering, period.

MOVEMENT CONTROL UNIT (MCU) - MCUs also known as the 'Gateways to IAF' are the nodal points for receiving and despatching material to the consignee. These are 31 MCU (Palam), 32 MCU(Mumbai) and 33 MCU (Guwahati). They discharge the following activities:

- Handling export and import of cargo on behalf of the IAF(except 33 MCU)
- Acting as nodal agency in transportation(domestic cargo)
- Forwarding cargo to various IAF units
- Handling domestic couriers as well as couriers going abroad.

MODIFICATION - A design change to an item of equipment, which is introduced to :-

- (a) Correct a fault.
- (b) Facilitate production.
- (c) Reduce servicing requirements.
- (d) Improve operational efficiency or reliability.

MODIFICATION SET - A modification set consists of parts required for the incorporation of a modification.

NON-MANDATORY SPARES - These are spares which are replaced based on their condition at the time of servicing. Their replacement will therefore be based on the appreciation of the technical staff servicing the assembly. These spares will have consumption norm less than 0.9. Consumption of some spares may increase over a period of time and these could become mandatory spares if consumption norm touches 0.9.

NON-RECURRING ISSUE - An issue to meet a requirement which is not expected to recur.

OBSOLETE EQUIPMENT - An equipment or stores will be declared obsolete when approval has been given to its withdrawal from the service on any of the following grounds:

1. Technical inefficiency to carry out its required and intended role and non-justification for its retention in the service.
2. Its required role has disappeared and it is no use for any other role.
3. It has been completely superseded by an improved equipment or store.

OBSOLESCEMENT EQUIPMENT - An equipment or stores will be declared obsolescent when it has been decided that no further provision of that item will be made, because,

1. The prototype of a successor equipment has been formally accepted, or
2. An equipment or store which although obsolete within the definition above, is required to be retained to meet tactical/technical training or other special requirements within the service.
 - a) An equipment or store in this category will not qualify for automatic provision of spares but existing stocks will continue to be used until exhausted.
 - b) In certain cases it may be necessary to make provision for spares of obsolescent equipment until its replacement is available in sufficient quantities.

PER OFF - In case of mandatory spares, some spares are required to be replaced compulsorily. The number of such spares requiring replacement in the aggregate is known as Per Off.

POSTING SHEET - A statement of transactions of equipment submitted to the provisioning authority by Equipment Depots and Air Stores Parks in respect of all stock items and by Overhaul Spares Depots (EDs)/BRD Support wing in respect of rotatables falling within the repair responsibility of the respective Base Repair Depot.

PROVISIONING - The process of calculating and obtaining the probables or actual requirements.

PROVISIONING OFFICER - A commissioned officer or civilian gazetted officer who is entrusted with duties pertaining to any of the various processes involved in provisioning, e.g. stock recording, review of requirements, indenting etc.,

PROVISIONING SECTIONS - Sections within the various Directorates of AOM's Branch of Air Headquarters, responsible for the provisioning of specified ranges of equipment.

RATE CONTRACT - An agreement concluded by DGS&D under which a contractor agrees to supply stores at stipulated rate against supply orders placed on him by Direct Demanding Officers designated in the contract during the period of its operation.

RATE OF EFFORT - The flying task per aircraft per month, as authorised by the Government.

RECURRING - An issue to meet a requirement which is expected to recur.

REPAIRABLE - A term used to denote equipment categorized on inspection as repairable either within the maintenance organisation or by civil repair agencies.

RETENTION PERIOD - The period, laid down by Government, for which stores can be retained in stock. Quantities held in excess of requirements for this period are to be considered as surplus.

REVIEW - The process of comparing assets with liabilities for the authorised MPE period of an item with a view to determining deficiencies for provisioning or surpluses and for fixing or emending various safety levels of stock.

REVIEW ACTION FIGURE (R.A.F) - A pre-determined stock level, expressed in terms of so many months requirements. When the depot stock of an item reaches this figure, a special review is under taken and supplementary indent placed where necessary.

R.M.S. ORDER (REPAIR, MANUFACTURE AND SUPPLY ORDER) - An order placed on a civil repair agency for the repair, overhaul, modification etc. of Air Force Equipment or for the manufacture and supply of Air Force technical equipment in respect of ad-hoc requirements.

ROTABLES - These are items which are capable of being repaired and re-used. This term is used in the Air Force to denote those items which

- (a) Have had or are expected to show turn over at the flying units as a result of normal usage.
- (b) Are considered economical to repair for re-use. And
- (c) Which can be replaced by a flying unit and, when beyond the capacity or authority of the flying unit to repair, must be returned to the appropriate repair agency for repair/overhaul.

RUNNING CONTRACT - An agreement concluded by DGS&D under which the contractor agrees to supply stores at stipulated rate and upto specified quantities against supply orders placed by the Direct Demanding Officers designated in the contract during the period of its operation.

SALVAGE - Equipment which has been conditioned as beyond repair and not fit for further use in the IAF.

SERVICEABLE - The condition of equipment when it has no known defect and is fit for immediate use.

SHORT STOCK FIGURE (S.S.F) - A pre-determined stock level on reaching which dues-in are hastened and further issues from stock holding depot are controlled by the provisioning authority, except against AOG/IOR demands and all priority demands for indigenous items. Issue below SSF is also authorised against demands of ASPs but restricted to 50% of available depot stock.

SPECIFIC TO TYPE EQUIPMENT - Equipment required either solely for one type or mark, or in varying quantities for different types or marks of airframe, aero-engine or other major assembly.

STANDARD PARTS - Wide range of spares used by OEMs to reduce inventories and to repeated design requirement. Most of the details viz drawing, materials, acceptance criteria and testing procedures are given in the governing standard. In all cases, the respective standard invariably forms part of the part number.

STATION LOGISTICS SECTION(SLS) - It is the storage location at the Wings. It receives items from ED, BRD, ASP or the local market. It discharges the following functions:

- Issue of material to users at Wing
- Storage of material required at Wing
- Raising of demands to EDs for replenishment
- Despatch of repairable to repair agency

SUPPLY ORDER - Orders placed by the provisioning sections and Direct Demanding Officers and DGS&D Rate or Running contract-holding firms for supply of centrally provisioned items:

TASK - A consolidated issue instruction originated by the provisioning authority. Tasks are issued to Equipment Depots for special issues of equipment to units on formation or re-equipping and also for issue of overhaul spares to repair agencies, except where such requirements are catered for by overhaul spares depots.

THIRD AND FOURTH LINE SPARES - These spares are used at BRDs for major overhauls/repairs.

'TITEM' CONTROL - Control exercised by the provisioning authority on specified items of equipment. This control also extends automatically to normal issues of any item for which depot stocks have reached the Short Stock Figure.

TRANSACTION - Receipt or issue of an item of equipment.

TYPE RECORD - Type Record is a document giving a description of the store, its functional and performance characteristics, summary of strength / other calculations along with reserve factors, environmental envelope of operation, where applicable, and storage of the store, results of all tests including environmental, functional and performance tests, weight data, list of applicable drawings and includes the Certificate of Design.

UNIT EQUIPMENT (U.E) - A term used to denote:-

- (a) The total number of aircraft with which a unit or formation is established. And / or
- (b) Equipment which is required for the functioning of a unit, and which accompanies that unit on change of station.

WASTAGE - Equipment rendered beyond economical repair in the course of normal use or during the process of repair.

YIELD OFF REPAIR - The actual quantity rendered or likely to be rendered serviceable through repair out of given number of repairables. Percentage of yield of repair for an item represents the quantity likely to be rendered serviceable if one hundred repairables of that item are taken up for repair.

Chapter 1

ORGANISATIONAL STRUCTURE: IAF

1.1 The IAF organisation structure can be broadly divided into four main branches. Air HQ, Operational Commands, Maintenance Command and Training Command. At the top of the organizational hierarchy is the Chief of Air Staff (CAS). Commanders-in-Chief (C-in-C) of Operational Commands, Training Command and Maintenance Command directly report to him. In addition to these Commanders, he is advised by six of Principal Staff Officers (PSOs) based at 'Air HQ. The broad organisation structure of the IAF is given in **Chart 1** enclosed and that of AOM Branch in **Chart 2** enclosed.

1.2 A brief description of the organisation structure is given below :-

(a) **Operational Commands** : The operations of the weapon system under the Indian Air Force are controlled by the Operational Commands. Each Command has a number of Wings, which in turn comprise a number of units. There are five Operational Commands in the country namely Central Air Command (CAC), Western Air Command (WAC), South-Western Air Command (SWAC), Eastern Air Command (EAC) and Southern Air Command (SAC). Each Operational Command has the primary responsibility of ensuring air defence preparedness and high fleet serviceability for which it carries out various operations and activities.

(b) The operations at Commands are supported by the technical and logistics wing at the Command and units. The technical wing is responsible for carrying out 1st and 2nd line servicing (field level servicing) of various weapon systems, equipment and sub assemblies while the logistics wing ensures timely availability of spares and consumables. The technical wing at the Command is headed by Senior Maintenance Staff Officer (SMSO) and the Logistics Wing is headed by the Command Logistics Management Officer (CLMO) under SMSO. Similarly at the Wings, the Air Officer Commanding (AOC) is assisted by the Chief Engineering Officer (C Eng O) and the Senior Logistics Officer (SLO) independently reporting to him. Please see **Chart 5** for the organizational structure of Operational Command and the role of various units under them.

(c) **Maintenance Command** : The Maintenance Command (MC) is located at Nagpur. This Command is responsible for maintenance of IAF equipment. The main role of MC is planning for repair agencies including inventory management of spares. It also looks after administration problems at supply agencies and provides support to AFLE, MCUs etc. MC also gives approvals on modernization of storage methods. **Chart 4** shows the organisation of Maintenance Command as well as the role of various BRDs/EDs under it.

(d) **Training Command** : In addition to the five Operational Commands and Maintenance Command, there is a Training Command also. As the name indicates this Command is responsible for training. Its HQ is at Bangalore. The organisation of HQ Training Command is at **Chart 3**.

Chart-1
Organisation: Air Headquarters

Chief of Air Staff
Air Adviser to CAS

Vice Chief of Air Staff Role: Responsible for complete flying operations, Communication and computerisation and Armament procurement	Deputy Chief of Air Staff Role: Capital Acquisitions, Long term planning Financial planning	Air Officer-in- Charge Personnel Role: All personal and training related matters	Air Officer in - Charge Maintenance Role: All technical and Logistics related issues	Air Officer - in - charge Administration Role: All works, organisation, security, legal and administrative matters including medical services and Accounts	Inspector General (Inspection & safety) Role: All flight safety, accident investigation, Inspection and Quality Assurance areas
→ ACAS (OPS)	→ ACAS (Plans)	→ ACAS (Personnel, Officers)	→ ACAS Eng A	→ DG Medical services	→ ACAS (Flight safety and Inspection)
→ ACAS (Ops) C&D	→ ACAS (Financial Planning)	→ ACAS (Personnel, civilians & Airmen)	→ ACAS Eng B	→ Judge Advocate General	→ QAS (Quality Assurance Services)
→ ACAS (meteorology)	→ Scientific Adviser to CAS	→ ACAS (Training)	→ ACAS MP	→ ACAS (Accounts)	
→ ACAS (Intelligence)	→ IFA (Air Hqrs)	→ ACAS (Education)	→ ACAS (System)	→ ACAS (Works)	
→ ACAS (Signals air) & IT		→ Dte of Personnel Planning	→ ACAS (Logistics)	→ Provost Marshal (Air)	
→ Air Formation Signals				→ Dte of Personnel Services and Directorate of Organisation	

Chart-2
Organisation Chart: AOM's Branch at Air Headquarters
Air Officer in-charge Maintenance

ACAS Eng (A)	ACAS Eng (B)	ACAS (Lgs)	ACAS (Systems)	ACAS(Maintenance Plans)
Role: Responsible for all technical and logistics areas of Russian Fighters, helicopters and transport fleets.	Role: Responsible for all technical and logistics activities Western fleet and trainers of IAF	Role: Responsible for all logistics policy, maint. budgeting. Mechanical transport, clothing, FOL and purchase activities.	Role: Responsible for all ground based Radars, Guided weapons, Electronic Warfare systems, Telecom, Testers and Communication equipments.	Role: Responsible for specific to type training. Maint. Planning, Indigenisation, publications Engineering support and technical policy matters.
→ Director Eng A Role: Responsible for Technical and logistics areas of Russian fighter fleet.	→ Director Eng B Role: Responsible for all Western Helicopter and transport aircraft fleet.	→ Director of Maintenance Administration. Role: Nodal point for all logistics and central point for Maint. Budget	→ Director, Ground Electronics Role: Responsible for Ground Radar Telecommunication, Testers, Electronic Warfare systems etc.,	→ Director Maintenance Planning Role: Responsible for maintenance planning including human resources planning, publication and technical policy matters
→ Directorate of Engineering D Role: Responsible for technical and logistics areas of Russian Transport and Helicopter fleet	→ D Eng C Role: Responsible for Western fighters except Jaguar and Mirage.	→ Director, Mechanical Transport Role: Responsible for all MT vehicles of IAF	→ Director, Guided Weapons Role: Responsible for surface to Air Missile equipment maintenance	→ Jt. Director Tetra Role: Responsible for specific to type weapon system maint. .training.
	→ D Eng J & M Role: Responsible for all trainee aircraft except those of Russian origin	→ Director, Stores Role: He is responsible for all Fuel, oil, lubricants, Ration, Clothing and Barrack equipments	→ Director, Plan Adges Role: Responsible for all BEL based Radars and installed communication equipment	→ JD Indigenization Role: Nodal point for complete indigenisation for maintenance requirements in IAF
	→ D Eng B(T) Role: Responsible for all trainer Air Craft except those of Russian origin.	→ Director, Purchase This directorate has three wings, namely indigenous purchase wing, Foreign purchase wing (Russian) and foreign purchase wing (Western)	→ Director, Armament and Safety Equipments Role: Responsible for Maintenance, repair and storage of Armament safety equipments	→ Director, Engineering support Role: Responsible for Air Field lighting, Attester barriers, Work shop Machinery ,DG sets etc.,
		→ Global Co-ordinator IMMOLS (Integrated Material Mgt. On- Line System) Role: Computerisation of complete logistics activities of the IAF		

Chart 3

**ORGANISATION:
HEAD QUARTERS TRAINING COMMAND**

AOC - IN - C

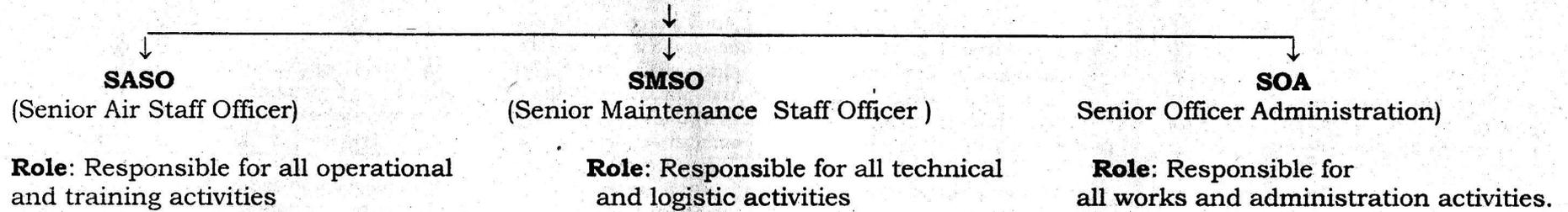
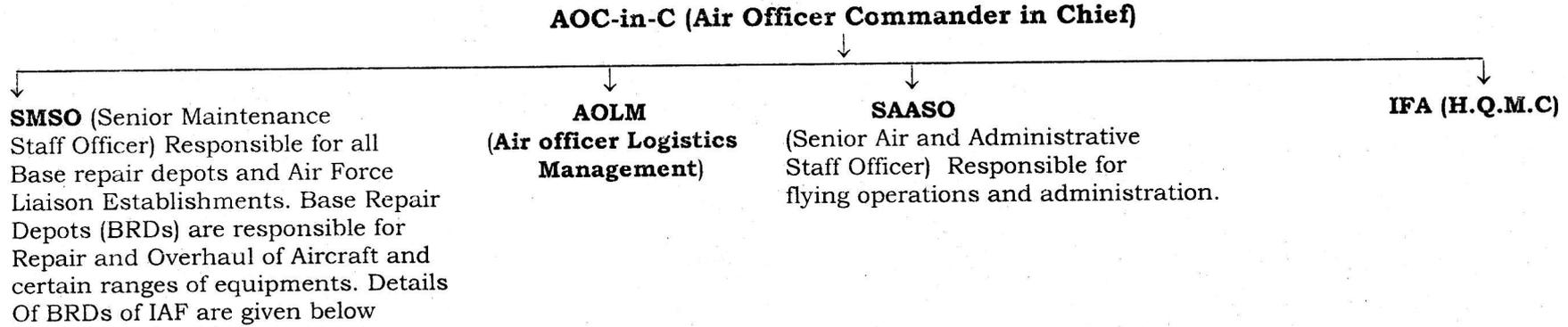


Chart-4

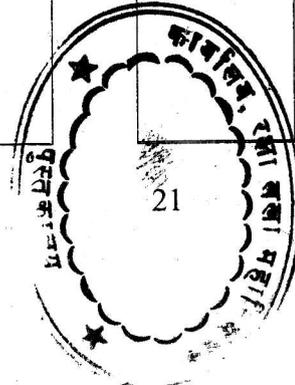
Organisation Chart of Headquarters Maintenance Command



Details of Major repair and stock holding agencies are as follows:-

BRD No.	LOCATION	BROAD ROLE
1.	Kanpur	Repair and overhaul of AN-32 ac (Air Frame)
3.	Chandigarh	Repair & overhaul of MI-8 Engine (TV2), MI 17 Engine (TV3), MI8 & MI 17 Helicopters and AN32 Engine (AI 20D)
4.	Kanpur	Repair and overhaul of MIG 23/27 Engine (R 29 Engine) and Mirage 2000 engine. (M53 P2)
5.	Sulur (Coimbatore)	Check Servicing of Avro ac, repair and calibration of testers and MATCAL (Mobile Calibration)

ED No.	LOCATION	STOCK HOLDING RANGE BROAD ROLE:
23.	Avadi (Chennai)	Clothing Barracks, spares for specialist vehicles
24.	Manauari (Allahabad)	Jaguar, Dornier, Cheetah. Chetak HPT-32
25.	Devlali	MIG 21, MIG23, MIG27 SU30, Russian raw material, MIG BIS upgrade
26.	Bangalore	Rotables of Jaguar, Cheetah Chetak, AVRO, Canberra. Kiran MK-I&I, I&II Line Spares of Jaguar and engines of All Indian & European a/c except Mirage & Dornier a/c.



BRD No.	LOCATION	BROAD ROLE
7	Tughlakabad (Delhi)	Repair and overhaul of guided weapons, ground radars and all transmitters and support equipments also DG sets (Non Plan Adges)
8	Avadi (Madras)	Repair and overhaul of specialist MT Vehicles (limited types)
9	Pune	Repair and overhaul AOG Ground Nav-Aids. Air field lighting and photo pods
11	Ozar (Nasik)	Repair and overhaul of MIG 23 & MIG29 Air Crafts
AMSE (Plan Adges)	Delhi	Repair and overhaul of BEL based Radar and communication equipments
RAME (G)	Guwahati	Repair and overhaul of Plan Adges related to DG sets and Air conditioners
PRD (Parachute Repair Depot)	Delhi	Repair and overhaul of parachute and safety equipments.
17 SU (Unit is working under ACAS (Sys))	Delhi	Repair and overhaul of Parachute and safety equipments.

ED No.	LOCATION	STOCK HOLDING RANGE BROAD ROLE:
27	Palam	MT Vehicle
28	Amla	Armament
29	Kanpur	Ranges repaired for overhaul by 1BRD & 4BRD
30	Bombay	Forward supply point for Hqs. SWAC units
41 MINI EDs	Bareilly	Stock Holding Depot of MiG-25 Spares
42	Gwalior	Mirage Spares
43	Hakimpet Secunderabad	Iskara ac spares
44	Gwalior AFA Dundigal Secunderabad	Kiran ac Spares
45	AGRA	IL-76 and IL-78 AC Spares

Chart-5

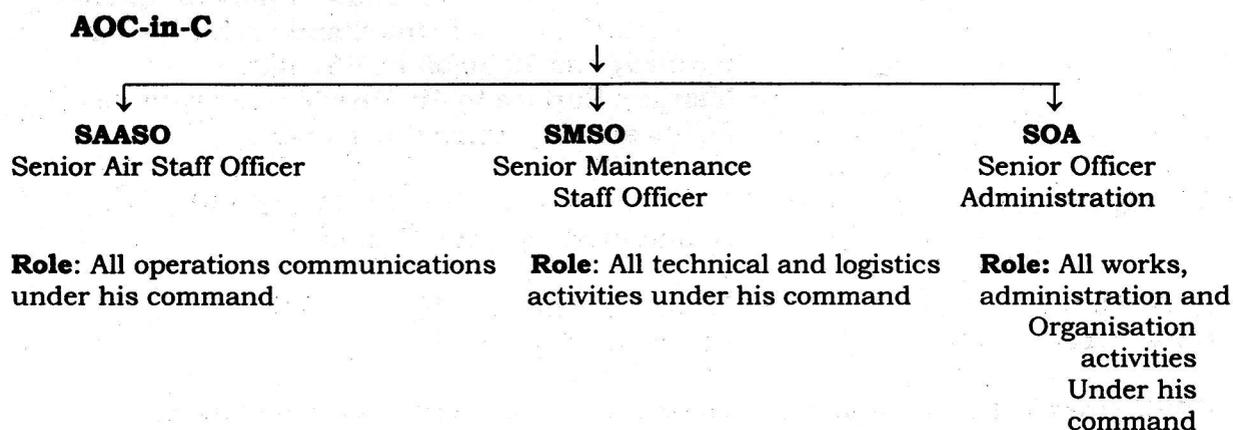
ORGANISATION CHART

OPERATIONAL COMMANDS

The Indian Air Force has five Operational Commands namely.

COMMAND HEADQUARTERS	LOCATION
Western Air Command	Delhi
South Western Command	Gandhinagar
Central Air Command	Allahabad
Southern Air Command	Thiruvananthapuram
Eastern Air Command	Shillong

TYPICAL ORGANISATION OF OPERATIONAL COMMAND



MAJOR UNITS UNDER OPERATIONAL COMMANDS

TYPE OF UNITS

ROLE OF THE UNIT

Wings

These are static bases which are self accounting and provide technical, Logistics, accounts, administrative, Operational etc., support to operation Units (referred to as its lodger units Like Sqns, HUs, SUs etc.,

Squadrons

These are operational units which cover Fighter aircraft squadrons: A Squadron of fighter aircraft has 16 to 18 aircraft with normally 2 trainers as a part of its strength.

Transport aircraft Squadrons: A normal transport squadron consists of 10-12 aircrafts.

Helicopter squadrons: These units are referred to as HU (Helicopter Units) and each HU/Sqn normally has 10 ac on its strength.

Missiles: Surface to Air Missile units with its flights are also referred to as Sqns.

SU (Signal Units)

These units cover Ground Radars and communication units (Troops)

MOF (Mobile Observation Post)

These units are developed to track enemy aircraft visually.

FBSU (Forward Base Support Unit)

These are smaller version of wing but are normally used by Sqns during operations and exercises etc.,

AFRU (Air Force Range Unit)

These units manage firing range

P&S unit (Provost and Security Unit)

These are meant to provide security support beyond the Air Force stations as well as for liaison with civil police.

R & SU (Repairs and Salvage Unit)

Each major operational command has one such unit. They are meant for carrying out structural repairs of aircraft at operational units and for retrieval of aircraft to repair agencies by road as well as from crashed sites.

Chapter 2

ORIGIN AND EVOLUTION OF IFA SYSTEM

2.1 IFA SYSTEM: HISTORICAL PERSPECTIVE

The origin of the integrated financial adviser system can be traced back to the year 1968 in which the Ministry of Finance vide their MO No. F.10(3)/E(coord)/67 dated 18/10/1968 had introduced the scheme of internal financial adviser, according to which the IFA appointed by the administrative ministry was made in charge of the budget and accounts section and was required to be consulted in all matters of exercise of delegated financial powers. The basis of arrangement envisaged in the scheme of enhanced delegation of powers is that, the Finance Ministry will exercise the control mainly by the scrutiny of the schemes etc. before inclusion in the budget and through adequate system of reporting and test checks.

2.1.1 An important feature of this scheme was the availability of Competent Financial advice internally within the administrative ministries. The scheme provided that the internal financial adviser should be consulted in all cases before exercise of delegated powers although it was open to the administrative secretary to overrule his advice by an order in writing. The full responsibility for a decision taken, in exercise of the delegated powers rested on the administrative ministry, irrespective of whether it was in accordance with the internal financial adviser's advice or not. The associate financial adviser based in Department of Expenditure, Ministry of Finance was to be consulted in matters outside the delegated field.

2.1.2 In pursuance of the policy to delegate enhanced financial powers, to the administrative ministries, to match their responsibilities and to improve their competence in the field of financial management by developing appropriate internal attitudes and skills, the question whether the functions of the associate financial adviser and the Internal Financial Adviser could, with advantage be integrated in a single official forming part of the administrative ministry had been under consideration. It was felt that, the financial adviser should be associated with administrative ministry in a larger measure to enable him to play a more effective and constructive role in its developmental activities. A scheme of

integrated financial adviser was accordingly drawn in consultation with Department of Personnel and Administrative Reforms.

2.1.3 In the new scheme which was introduced vide Department of Expenditure OM No. F.10(29)/B(co-ord)/73, dated 6th October, 1975, the financial adviser was responsible both to the administrative ministry and to the MOF. He was also entrusted with the job of assisting in budget formulation, scrutiny of projects and programmes for approval by MOF and post budget vigilance to ensure that there was neither considerable shortfall in expenditure nor unforeseen excesses for which budget provision had not been made. It was considered that the close association of IFA with the formulation and implementation of all proposals involving expenditure would facilitate more effective discharge of the financial adviser's responsibility.

2.1.4 The IFA system was introduced in the Departments of Defence Production, Defence Supplies and Research and Development of the Defence Ministry in the year 1976 and in the Department of Defence with effect from 1/8/1983. The main aim of the scheme is to expedite decision-making and to ensure that all expenditure proposals are subject to due financial scrutiny before the expenditure is sanctioned/committed.

2.1.5 A major step forward in the direction of delegation of enhanced financial powers was taken by the Committee on Defence Expenditure constituted in 1990 which recommended substantial delegation of financial powers to the Services except for creation of posts and import of stores and introduction of new scales. The Committee had recommended that while certain enhanced powers were immediately being delegated to the Services further delegation would have to be linked to the establishment of appropriate systems of financial advice and control.

2.1.6 In the light of the recommendations of the Sub Committee of the Committee on Defence expenditure and the assurance given to the Estimates Committee of Parliament, IFAs were positioned in the Service HQrs and also HQrs DGBR vide the under mentioned Government letters.

- a. MOD F No. 665/Addl.FA (c), dt. 4/4//94 IFA Air HQrs
- b. 840/Addl.FA(J)/94, dt. 22/3/94 IFA Naval HQrs
- c. AN-I/1179/1/VKPC-XXV, dated 17/8/1994 IFA Army HQrs

- d. BRDB No. F 731/(18)BBDB/BWA/94, delegation dated 23//3/95 IFA
DGBR

The financial powers have been delegated to the lower echelons from time to time.

2.2 NEW MANAGEMENT STRATEGY

In order to enhance efficiency and expedite decision-making, New Management Strategy (NMS) has been implemented by the Government in the three Services. NMS aims at greater decentralisation of responsibilities for target setting, planning, budget formulation and financial control by involving lower level functionaries, creation of Authority-cum-Responsibility and Budget centres under various Principal Staff Officers(PSOs), establishing clear relationship between financial inputs and outputs(physical targets) and generally laying greater emphasis on getting better value for money in all expenditure proposals. The NMS also envisaged introduction of IFA system at Service Hqrs and select field formations.

2.3 IFA SYSTEM IN AF

As indicated above, IFA at Air HQ was positioned in 1994. With the enhancement of delegated financial powers of the CFAs at Command level and lower echelons, need was felt to position IFAs at lower levels as well. Initially SAG level IFA was posted only at Air HQ and IFA cover to Commands was provided by lower level IFAs. Consequent upon decentralization of procurement of stores, and equipment under revenue heads and delegation of enhanced financial powers to the Commands, Wings and EDs/BRDs particularly with the issue of GOI MOD letter no 10(3)/02-D(Air-II) dated April 1,2002, many new IFA positions were created at lower level. At HQ MC where earlier IFA cover was being provided by JCDA(AF), a SAG level dedicated IFA was posted. Besides, at many EDs/BRDs, dedicated IFAs were positioned. Apart from dedicated IFAs, there are IFAs particularly at Operational Commands and Wings who are discharging other functions also either on audit side as in the case of JCDA(AF) Subroto Park Delhi(who is giving IFA coverage to WAC apart from discharging other functions such as pension sanction, audit, etc) or are entrusted with the additional responsibility of providing IFA cover to AF Command/units though they are posted in other Controllers' offices e.g. JCDA(Pension) Allahabad (who is also providing IFA coverage to CAC).

2.3.1 The latest enhancement of delegated powers in respect of Air Force has been notified vide GOI MOD letter no. AIR HQ/95378/1/Fin P/2431/US(RC)/AIR-II/06 dated 14.07.2006. The powers have been delegated consequent upon the recommendations of a Task Force constituted for the purpose under the Chairmanship of FADS. The enhancement of financial powers in the Air Force is primarily aimed at bringing about improved serviceability and maintainability of Aircraft/Systems and cater appropriately for repair and overhaul of the aging fleet of aircraft as also to cater for spares support for recent additions to the transport fleet. While for Revenue heads powers have been given to Commanders down the line, under Capital head, limited powers have been given to Dy Chief of the Air Staff.

2.4 ENHANCED DELEGATED FINANCIAL POWERS: GUIDELINES

The following guidelines have been issued for exercise of enhanced delegated financial powers by Air Force CFAs vide GOI MOD letter no. Air HQ/95378/1/Fin P/2431/US(RC)/AIR-II/06 dated 14.07.2006:

Capital

Air HQ has to render a Quarterly Report to MOD(Acquisition Wing) on the progress of various Capital Schemes under delegated powers indicating the actual cash outgo against the budgetary projections.

Revenue

1. A Revenue Prioritised Procurement Plan for centralised procurement will be drawn up taking into account carry over liabilities and the fresh procurement required ensuring desired fleet serviceability levels. Detailed instructions with regard to fleet/weapon system wise monitoring of serviceability levels linked to budgetary allotment is to be laid down by Air HQ.
2. The Defence Procurement Board(DPB) needs to be apprised of the Revenue Prioritised Plan of Air HQ so that these are duly harmonised with the AAP for Capital equipment and maintenance requirements are duly factored into the budgeting process.
3. Air HQ is to submit a monthly return to MOD on the performance of the Prioritised Procurement Plan and the progressive utilisation of revenue budget. Air HQ is also to lay down a PERT chart for all major schemes under revenue for close monitoring of the progress of such schemes.

4. Air HQ is also to put in place a system for data sharing and data networking, both within the Air Force and Inter-Services in order to widen the procurement sources and obviate differential being paid for the same item by the Air Force Commands and different Services.
5. Air HQ will make budget available to each budget holder/centre at the beginning of the financial year and monitor the extent of user satisfaction that has gone up as a result of delegation.
6. The monetary limit which has been set in each case extends to each separate sanction. The criterion in every case is the total cost of a measure and no measure which requires the sanction of higher authority shall be sanctioned by a lower authority in instalments.
7. CVC guidelines issued from time to time on purchase/procurement/other financial dealings by Central Govt Departments will be strictly complied with while processing cases in exercise of the delegated financial powers.

2.5 DECENTRALIZATION OF PROVISIONING AND PROCUREMENT: IAF

Government of India vide their letter No. Air HQ/0111279/33335/4/LR/1215/DO-II/D(AIR-I), dated 26/9/95 decided to transfer the provisioning and procurement activity to Maintenance Command and Equipment Depots and Base Repair Depots in a phased manner. Some of the salient features of this letter are as under:

- 1) The Mother Depots will undertake provisioning review for periodical, special or life of type as the case may be for first and second line spares.
- 2) The BRD/ attached overhaul spares Depot will carry out the provisioning review of third and fourth line spares as hitherto fore.
- 3) 23 ED Avadi will carry out the provisioning review of all types of clothing i.e. airmen, occupational and general flying clothing;
- 4) As regards clothing items, Maintenance Command will liaise with DGOF and Ministry of Defence supplies and place orders on DGOF agencies. Procurement through trade sources will be resorted to only when DGOF agencies confirm in writing that they are not able to meet the AF requirements;
- 5) The EDs / BRDs will forward the provisioning review sheets and draft indents to Maintenance Command for technical scrutiny and firming of indent;
- 6) Maintenance Command will ensure inter Depot / BRD stock transfer of common items of first to fourth lines during technical vetting;

- 7) Indigenous indents will be placed on EDs / BRDs, Command and Air HQrs as the case may be depending upon their delegated financial powers;
- 8) All import indents irrespective of their value will be placed on Air HQrs;
- 9) The forecast factor which is one of the major factors in determining the net requirement will be finalized by Air HQrs/DMA and provided to all concerned;
- 10) Inspection in respect of items procured from PSUs, including HAL will be carried out by DTD&P(Air) and D Aero i.e. local SRI and CRE respectively., The inspection of items procured from trade will be carried out by Air Force Quality Assurance;
- 11) The delegated powers are under revenue head only. Only limited powers have been given under Capital head.
- 12) The delegated financial powers will be exercised in consultation with the integrated financial adviser.

2.5.1 In the first phase, following Weapon Systems and general stores were transferred to MC and EDs/BRDs.

- a) Kiran Air Craft and Variants
- b) HPT-32
- c) Dornier
- d) Chetak / Cheetah Helicopter
- e) MT spares
- f) Clothing airmen, occupational, general flying

IInd Phase:

After evaluating the efficacy of the System, GOI MOD vide their letter no. Air HQ/611279/335/4/LR/921DO-II(D-Aair-1), dated 29/7/98 has transferred provisioning and procurement activity of following additional Weapon Systems i.e.

MIG-23

AN-32

MI-8

MI-17

IIIrd Phase (01/01/2004)

System ranges

IVth Phase (01/05/2004)

MIG-29

Vth Phase (01/01/2005)

MIG-27

VIth Phase (01/04/2005)

MIG - 21

JAGUAR

AVRO

2.6 ROLE OF IFA

The intention of introduction of IFA system is that it will lead to not only better financial control but also reduce delays in decision making. The presence of IFAs at Service Headquarters, Commands, EDs/BRDs and Wings will also lead to continuous understanding of financial management methods, need for economy, cost effectiveness and effective resource planning. The IFA will be associated in all stages of procurement i.e. from acceptance of necessity to post contractual matters.

The IFA is expected to play an important role in the following areas:

- 1) Advising executive authorities on all audit, accounting and financial matters, within delegated financial powers.
- 2) Financial scrutiny of all proposals relating to provisioning, procurement, disposal of surplus, obsolete, scrap etc. under delegated financial powers.
- 3) Rendering financial/accounting advice in effective preparation and management of budget.
- 4) Monitoring expenditure under relevant heads of account vis-à-vis budgetary allotments. No proposal shall be cleared by the IFA wherein allotment, expenditure and liabilities position is not given. In case expenditure together with the liabilities to be discharged during the year exceeds budget allocation, financial concurrence to expenditure proposals shall be given on receipt of additional allotment of funds.
- 5) Critical performance appraisal of projects/schemes in financial and physical terms.
- 6) Raising of piecemeal queries have to be avoided by IFAs (letter AT/IX/IFA/133381/Army Vol IX dated 25-04-2005)

- 7) While normally CFAs have the option of overruling the advice of the IFAs in such cases, a purchase proposal need not be held back because of some doubt arising at the financial concurrence stage regarding an existing/ established procedure/practice or interpretation. On the analogy of Para 68 of Audit Code, it would be more appropriate that, unless the existing procedure/practice is in gross violation of any Rule/Government Order, the same may not be discontinued abruptly. Simultaneously, the case be taken up separately with the Pr.IFA who, in turn, would examine the matter where necessary in consultation with the Services and MOD (Fin) for further appropriate action. (PIFA I.O NO. 20 OF 07-12-07)
- 8) MoD (Fin) have pointed out that direct communication by Individual IFAs is not desirable and IFAs are required to process the proposals referred to them in terms of existing Government Orders and if any proposal cannot be processed by them in terms of these orders, they should advise the Service HQrs/CFAs accordingly. Issues requiring clarifications are referred to Pr.IFA Wing to ensure commonality of procedure to be followed for cases under delegated powers of service HQrs and other Defence organisations covered under the IFA scheme. (PIFA I.O NO. 21 OF 07-12-07)

2.6.1 The IFA is required to take into account provisions of DSRs, FR Part I and II, DPM-2006, DPP-2006 (applicable in case of capital purchases), GFR-2005 as amended from time to time apart from various orders and instructions issued by the Ministry of Defence, CGDA, CVC, etc. Standard Operating Procedure (SOPs) relating to the exercise of financial powers under various Schedules issued by Service HQ after approval of the Ministry of Defence should be studied by the IFAs. The checklists which have been prepared in respect of individual Schedules for the guidance of IFAs should invariably be consulted while examining various proposals for financial concurrence.

2.6.2 Financial advice/consultation will be provided in writing/through electronic media and will be based on regular noting on file. In case of an extreme emergency, decision could be taken in meeting/discussions for which details of deliberations/minutes will be recorded. All such cases should be followed up immediately by regular noting on the file where the decision taken during the meeting/discussions will be recorded and financial advice recorded in writing. In

matter within the delegated powers, it is open to the CFA to overrule the advice of the IFA by an order recorded in writing containing the gist of objections of IFA and reason for overruling advice. A copy of the order overruling the financial advice will be endorsed to the next higher CFA informing the IFA also simultaneously. In such cases, it will be open to the IFA to report the matter to the next higher IFA or drop it as deemed fit.

Various coordination function to Command IFAs (Air Force) have been entrusted vide HQrs letter No AN/1/1320/3/XXXVI dated 30-05-07 to provide guidance to the nominated IFAs of Air Force on functional matters & their interaction with CFAs. In this connection see Annexure-VI

2.7 CAPITAL PURCHASES

Limited powers for capital purchase have been delegated to DCAS Air HQ. Accordingly only IFA(Air HQ) will be dealing with the cases of capital purchases. The provisions of DPP-2006 shall be followed. The principles of categorization of expenditure into capital/revenue are laid down in Para 2.3 and 2.4 of DPM 2006 and Rules 79 and Rules 90-94 of GFR 2005. As per MOD's instructions, an item can be classified as capital if it satisfies the following twin conditions within the overall stipulations of the definition of capital expenditure as given in the GFR:

- i) The item to be purchased should have a life of 7 years or more
- ii) The cost of the item should be Rs 10 lakhs or more

2.7.1 It has also been clarified by MOD (Fin) that in case of replacement of an item, expenditure will be booked to revenue head unless the replacement results in enhancement of capabilities.

2.8 BUDGETING IN IFA

2.8.1 **MoD (Finance) vide UO No. 256/Dir/Finance budget/07 dated 09.02.2007** in regard to classification of expenditure under capital and revenue has clarified as under:

- a) An item has to be viewed as Capital or Revenue keeping in view guidelines given in Rule 90 and 91 GFR-2005.
- b) Subject to an item being capital in nature as per these guidelines the **first buy** of such an item has to be booked to capital budget if it costs more than Rs. 10 lakh and has life of more than 7 years, in which case the proposal has to be processed accordingly. If the cost is less than Rs.

10 lakh and the life is less than 7 years, it may be booked to Revenue head.

- c) **Any replacement of such item** will be booked to Revenue head unless the replacement results into enhancement of capabilities.
- d) The fact that an item figures in the PPP is not sufficient ground for treating it as a revenue item if it otherwise qualifies to be treated as capital items.
- e) Vehicles will not be bought under Tele Adm Grant, as this would be in violaion of the economy instructions.

2.8.2 MoD (Fin. Division) vide letter No. PC-11(1)/Bud.I/2007 dated 25.9.2007 has decided that expenditure on items listed in Annexure III will be booked to Capital heads as shown in the Annexure appended below subject to the cost-life criteria being met in individual cases. **Procedure as laid down in Defence Procurement Manual 2006 will be followed for procurement of the items mentioned in the Annexure and the CFAs for sanctioning such procurements will be determined with reference to the orders issued in 2006 concerning delegation of financial powers for revenue procurements.** However, offsets will not be applicable in respect of purchases under these orders. It has also been clarified that expenditure on Motor Vehicles and Machinery & Equipment are required to be classified as capital expenditure even if procured as 'replacement' of existing assets, subject to fulfillment of the cost-life criteria.

Annexure III

Air Force

Nomeclature of items in respect of which expenditure is presently being booked under Minor Head of Stores (110)	Minor Head of Capital Outlay under which to be booked
DRE for setting up of repair facility for Bison	103
Vehicles	102
Aircraft Specialist Vehicles	102
Air field Support Vehicles	102
ETB upgrade at 4 BRD	103
Modification of Old M 53-P2 engines to bring to stand of new engines	101
Procurement of SSFDR	103
Bison GPU	103

GPU 12 KVA	103
AN 32 GPU	103
SAT 300	103
Universal HST	103
Proc. of Drive Generator and installation kit for Bison	103
Procurement of MP-7 Flash Card	103
Proc of critical aggregates	103
DRE for overhaul facilities for Jaguar aircraft	103
Replacement of Herons (UAV) along payloads	103
Test Equipment, GSE/GHE/tools for AWACS Aircraft	101
TTLE, OH and re-equipment of AN-32 Aircraft	101
Replacement of Aeroengine on expiry of TTL	101
DMDD System	103
Networked Station	103
Procurement of booster and Accessories of VUHRFT set up- 322 for AD Radar units	103
Procurement of V/UHF RT set for OSA-AK System	103
CTSW Microlight A/C	103
Upgradation/Replacement of existing individual system of weapon platform	103
Procurement of rotables	103
3D Co-ordinate measuring machine	103

2.8.3 The Budgeting Process

The budgeting for the ensuing financial year starts with the Forecast Estimates (FE), which are submitted to the Ministry of Defence by each service HQ in the month of November of the previous year. FE is indicative projections of requirements of funds by the services for the forthcoming financial year. The FE is followed by projections for the Budget Estimates (BE) in December. There is expected to be more fine-tuned requirement of funds for the ensuing financial year. During the course of year, expenditure and Budget allocation is

done/modified on the basis of 4 Budgetary Reports received from Users. They are Preliminary Estimates, Preliminary revised Estimates, Revised Estimates and Modified Appropriation Reports.

2.8.4 Processing of Financial Concurrence Cases by IFA

The proposals will be received in the office of IFA from the executive authorities on files. IFA may either make a noting on the file received including observations, if any or may examine the proposals on a separate file in his office and convey his observations/concurrence through a UO Note. However, in both the cases, it will be ensured by the IFA that photocopies of the substantive portion of the proposal including Statement of Case, if any, as well as the Noting Sheets are taken and kept in the shadow file to be maintained in his office. It will be ensured that an independent shadow file is maintained for each proposal and papers/notings related to all stages from AON to post contract are recorded in the same shadow file. As and when concurrence is given, the particulars thereof are required to be entered in the Registers prescribed for the purpose (Please see Chapter on Registers).

2.8.5 After expenditure angle concurrence is given, a copy of sanction and supply order shall be watched by the IFA to complete his records.

2.8.6 There is no provision under the delegated financial powers to obtain 'ex-post facto' concurrence of the IFA. Such cases where prior IFA concurrence/CFA sanction has not been/could not be obtained, would be treated as breaches of rules and regulations and referred to next higher CFA (which may or may not be Government) for regularization as per the provisions of Rule 178 (b) F.R. Pt.I read in conjunction with HQ office clarification No O/185/9/AT-5 Vol dated 28-11-73. Such regularization will be subject to concurrence of IFA to the next higher CFA. Any extension sanction issued with retrospective date in cases of AMC/TPT contracts, where the validity of the contract has already expired, would also fall under the category of 'ex-post facto' sanctions and treated as such and sanction of next higher CFA should be obtained with concurrence of IFA to the next higher CFA.

2.9 Points to be included in Statement of Case/Proposals

While in case of PR and SR where scaled items are proposed for procurement, there is no need for submission of a formal Statement of Case, in all other cases SOC may be submitted by the executive authorities to the IFA.

Whether SOC is recorded separately in the file or is in the form of a Noting Sheet, the following information should be looked for in the SOC:

1. Existing system/equipment and its deficiencies
2. Benefits likely to accrue on acceptance of proposal under consideration
3. Cost benefit analysis of the proposal vis a vis the present system
4. Whether item is scaled or un-scaled and present holding of the item. If scaled, how much deficiency is there. If un-scaled justification of the quantity proposed.
5. Whether quantities have been vetted by a Specialist officer
6. Disposal of the existing item
7. Proposed distribution of the new item(s)
8. Whether included in Priority Procurement Plan, if any approved by Air HQ
9. Availability of funds giving details about expenditure already incurred, liabilities to be discharged in the current year and allotment
10. Code head
11. Schedule under which item is proposed to be procured
12. CFA
13. Whether item available on DGS&D RC
14. Estimated cost with item-wise cost breakup and basis for cost assessment i.e. LPP, market survey or cost assessed by a BOO
15. Mode of tendering proposed i.e. OTE/LTE/STE
16. Vendor list to be enclosed in case of LTE
17. In case of STE/PAC items, justification and PAC certificate signed by the competent officer

2.10 Other Duties of IFA

The following are the other duties of the IFA:

- a) The dedicated IFAs at HQ Command are required to provide guidance and clarification to the IFAs working at lower level within their jurisdiction.
- b) IFAs must train the staff working under them by organising in-house training programmes or by nominating them to various Training courses conducted by RTCs/CGDA's Training Division.
- c) The dedicated Command IFAs will carry out periodical inspection of the IFAs at lower level within their jurisdiction once a year.

- d) Case studies of important cases of provisioning and procurement will be got prepared by the IFAs and submitted to PIFA.
- e) Management Information System relating to important items of acquisition viz description of items, quantity of stores, period of purchase, price, name of the vendor, total value, etc will be compiled by the IFAs.
- f) Constant interaction with the CFAs and executive authorities will be ensured by the IFAs on various functional areas.
- g) The dedicated Command IFAs will make leave duty arrangements in respect of IFAs working under their jurisdiction under intimation to PIFA.
- h) ACRs for the staff/officers working within their jurisdiction will be initiated, reviewed or accepted as the case may be.
- i) The Reports and Returns prescribed by the CGDA office will be rendered timely.
- j) All Registers required to be maintained will be kept updated.

2.11 Objectives and duties of Pr. IFA Wing

2.11.1 Role of Pr. IFA is given in Chapter V of CGDA Procedure Manual (Edition 2007).

2.11.2 Objectives:

- a) Aiding and advising the Integrated Service Headquarters Ministry of Defence i.e. Army, Navy and Air Force, Headquarter Integrated Defence Staff and Secretary Defence Finance through CGDA for effective functioning of the IFA System.
- b) Overall control, supervision, direction, co-ordination and reporting in relation to the functioning of dedicated IFAs below Service Hqrs level.
- c) Financial Advice and Coordination in relation to the working of IFAs in the Integrated Service Headquarters, Integrated Defence Staff, PCsDA/CsDA entrusted with IFA Functions, IFA(Border Roads), IFA(R&D) Hqrs, IFA(R&D) Project-75 and IFA (Coast Guard)
- d) Discharging administrative responsibilities relating to the functioning of IFA system as may be assigned to him by the CGDA from time to time.
- e) Seeking directions and guidance from the CGDA in matters related to functional responsibility to be discharged by all IFAs.

- f) Positioning of IFAs and nominating leave duty relief of IFAs in consultation with CGDA. Processing of cases for the temporary duty move of concerned IFAs to places other than own Command jurisdiction.
- g) To Initiate, Review or Accept of Annual Confidential Reports (ACRs) in respect of IDAS officers and Sr. Accounts Officers/ Accounts Officers posted in the dedicated IFA set up as per instructions issued by MoD (Fin) vide its letter No. 1042/Addl.FA (V) dated 21.09.2004 amended from time to time.
- h) To institute appropriate Management Information Systems (MIS) for proper monitoring and reporting by IFAs to the CGDA and Secretary (Defence Finance).

2.11.3 **Duties** Pr. IFA will act as the repository for all domain knowledge and in this regard he will be responsible for the circulation of orders relevant to functioning of IFAs and delegation of financial powers, clarification on issues raised by IFAs, manpower planning for IFA coverage, periodical inspection of IFAs as per instructions issued by the CGDA from time to time, watching formulation of SOPs by the executives and monitoring of functioning of IFAs through various reports etc.

2.12 CGDA Instructions on IFA system

2.12.1 CGDA has issued several letters, Circulars and Instructions on IFA system, starting from Instruction No 1 vide letter AT/IX/IFA/13381/Army Vol V dated 28.11.2003. IFAs should keep note of all these Circulars, letters and Instructions as they deal with IFA structure, method of working, jurisdiction, guidelines, etc. Some of important issues emerging out of these orders have been highlighted below, this being only an illustrative list -

- a) When a case has to be processed with various CFAs for different stages of procurement, the concerned IFAs will get involved in those stages according to the involvement of their respective CFAs (Instructions 3 dated 23.1.2004, 4 dated 4.2.2004, 7 dated 9.3.2004 and 11 dated 13.9.2005).
- b) The officers of PCDA/CDA, when doubling up as IFA reps in additional assignment, should report through the IFA channels in so far as their functioning is concerned. Similarly, in the eventuality of officers posted in the IFA set-up, but also doubling up with some internal audit/accounting/payment functions in offices of PCDA/CDA, they will report for those functions to PCDA/CDA (Letter

AT/IX/IFA/13381-Navy dated 17.8.2004).

- c) IFAs to depots will perform the role earlier performed by LAOs in Fixation of RGP, Downgradation of class 'B' vehicles, Condemnation/valuation Boards (Instruction 8 dated 12.7.2004).
- d) PCDA/CDA should provide the necessary IFA cover in respect of units/formations located within their audit jurisdiction, irrespective of the location of the Hqs of such units/formations, till the time dedicated IFAs are posted for such units/formations (Instruction 9 dated 25.8.2004).
- e) No Supply orders under delegated powers are to be placed without having been vetted by IFA. IFAs to ensure that all Supply Orders and amendments, if any, thereto bear specific IFA numbers and date under which vetting of Supply Orders has been done (Letter PIFA/Instructions/2004/Vol-I dated 14.1.2005).
- f) All queries / points of doubt relating to IFA matters should be addressed to Principal IFA in CGDA's office for clarification (Letter AT/IX/IFA/13381/Navy Vol II dated 20.1.2005).
- g) For tender opening, LAOs/nominated AAO/AO can be deputed but IFA will need to participate or brief adequately his rep to participate in the TPC discussions, so that, as far as possible TPC decisions are honoured and entirely different view is not required to be taken (Letter AT/IX/IFA/13381/AF Vol-IV PC dated 22.7.2005).
- h) Any instructions in contravention of DPM by SOP may not be adhered to as the latter do not have the authority to overrule the former (Letter AT/IX/IFA/13381/IT Vol IX dated 31.10.2005).
- i) Raising of piecemeal queries have to be avoided by IFAs (Letter AT/IX/IFA/13381/Army Vol IX dated 25.4.2005).
- j) IFAs Command (Army) would be the IFAs for the respective Command MAP as per Table II item 2 of Works Procedure for DGMAP. The IFAs Command (Army) would also be members in the respective Command Committee (MAP) as laid down at 3(e) of Appendix to Works procedure for DGMAP (Letter 18189/AT-X/Vol IV dated 20.10.2004).
- k) IFA in an Ordnance Depot will report to Command IFA and not to IFA (O), (CGDA's Letter AT/IX/IFA/13381/Navy Vol II dated 4.10.2004).
- l) PCsDA in Command Hqs to act as Principal Advisors to GOCs-in-C and Coordinating Controllers (Letter AT-Coord/13393/Coord-Cont(Vol II) dated 29.3.2007).
- m) There is no provision under the delegated financial powers to obtain 'ex-

post facto' concurrence of the IFA. Such cases where prior IFA concurrence/CFA sanction has not been/could not be obtained, would be treated as breaches of rules and regulations and referred to next higher CFA (which may or may not be Government) for regularisation as per the provisions of Rule 178 (b) FR Pt. I read in conjunction with HQ office clarification No. O/185/9/AT-5Vol dated 28.11.73. Such regularization will be subject to concurrence of IFA to the next higher CFA. Any extension sanction issued with retrospective date in cases of AMC/Tpt contracts, where the validity of the contract has already expired, would also fall under the category of 'ex-post facto' sanctions and treated as such and sanction of next higher CFA should be obtained with concurrence of IFA to the next higher CFA.

Chapter 3

PROVISIONING IN IAF

3.1 WHAT IS PROVISIONING

3.1.1 Provisioning is one of the main functions of Materials Management. It is the key to procurement. It involves forecasting of future requirements on the basis of past usage, present trends in consumption and future planned utilisation. In view of the location of AF Wings/Units across the length and breadth of the country and centralised system of provisioning and procurement by the Air HQrs and the HQrs M.C. and stocking in the specified Depots it acquires importance. The highly complex and sophisticated weapon systems and the equipment used in the Air Force require a variety of technical items to maintain them in operationally serviceable condition. Further the requirement of items varies with each type of Weapon System and improvements in design. Since some of the Air Crafts and equipments are obsolete in the countries of their origin, procurement of spares is a long drawn process and involves protracted correspondence. These factors coupled with unpredictability of requirement of the consumer units makes the task of provisioning a challenging one.

3.1.2 The object of provisioning is to ensure availability of the right kind of store/equipment in right quantity at the right place and right time. The essence of sound provisioning is the realistic estimation of future requirements. While the under estimation prejudices future planned effort of the force, over estimation results in wastage of limited resources. It is therefore imperative that future requirements are estimated with great care and caution and timely provisioning action is taken, so that uninterrupted supply of spares and equipments is maintained consistent with economy.

3.1.3 Provisioning activity in Air Force is regulated as per the instructions given in the Provisioning Manual (IAP 1541), provisioning job guidelines (IAP 1542) and provisioning directives issued by the Air HQrs from time to time.

Provisioning being an important function of Materials Management, IFA plays an important role. He should ensure that the stores are procured in an economic manner and in accordance with definite requirement.

3.2 CATEGORIES OF PROVISIONING

Requirements, for which provision has to be made , fall into the following broad categories :

- a) Initial provisioning;
- b) Programme requirements;
- c) Replacement provisioning;

3.2.1 Initial Provisioning

It refers to provisioning of first time spares and equipments required for an Air craft or a major equipment newly introduced in the service on the basis of recommendations of initial provisioning committee or Maintenance Planning Team .The committee works out the requirements of maintenance and overhaul spares for the authorised provisioning period on the basis of recommendations of the manufacturers.

3.2.2 Programme requirements

Programme requirements consist of known future commitments of a non-recurring nature. viz. initial equipment for new Units, Squadron re-arming, increase of UE or increase of scales, etc.

3.2.3 Replacement provisioning

Provisioning of future requirements on the basis of consumption trend of past is known as Replacement Provisioning. The system of provisioning requires that what is being consumed over a period is progressively replenished taking into consideration the activities in pipe line and the force planned for the future. The aim is to maintain the stocks at the approved levels all the time.

3.3 TYPES OF PROVISIONING REVIEWS

Provisioning review is the process of comparing the assets of an item of equipment with the anticipated requirements during the forward provisioning period with a view to determining whether a deficiency or surplus exists. The different types of provisioning reviews are:

- a) Periodical review
- b) Special Review
- c) "Life of type" review
- d) Disposal review.

3.3.1 Periodical Review

Reviews carried out at specified intervals are called periodical reviews. The periodicity of review is decided based on the type of store, source of supply and nature of the items. Class A & B items are reviewed half yearly. Class C items are reviewed annually and perishable and short life items and also common user items are reviewed quarterly. The approved periodicities of review for various ranges of equipments are given in the Appendix to leaflet No. 1 of IAP 1541.

3.3.2 Special Review

It is an intermediate review, which is carried out between two successive periodical reviews under the following circumstances:

- i) Whenever the stock of an item at ED falls below review action figure (RAF)
- ii) On receipt of AOG (Air craft on ground) requirement
- iii) When there is a change in the policy affecting the consumption of spares,
- iv) When an item is found to be fast moving.

3.3.3 "Life of type" Review

This is the final review undertaken for provision all ranges of spares of an Aircraft or equipments before the manufacturers discontinue the production of those spares.

3.3.4 Disposal Review

Where periodical review reveals surplus assets for some items, a disposal review is to be carried out in accordance with the instructions laid down in Leaflet No. 41 of IAP 1541.

3.4 IMPORTANT TERMS USED IN PROVISIONING REVIEW

- a) CAR
- b) Dues-in
- c) Dues-out
- d) Forecast factor
- e) Maximum potential establishment
- f) Review Action Figure
- g) Short stock figure
- h) Per Off

3.4.1 Current Annual Rate (CAR)

It is the past recurring consumption during the twelve months preceding a provisioning review, which is taken as the base for provisioning of future requirements. The formula for CAR is as follows:

$$\text{CAR} = (\text{Total recurring consumption during the past twelve months}) + (\text{recurring outstanding dues out}) - (\text{Recurring dues-out at the beginning of the twelve months period}).$$

3.4.2 Depending on the maximum potential establishment of an item, average of specified number of years of CAR is taken as base for working out the future requirement. However, HQ MC has since issued directions that annual consumption should be worked out with reference to average of last 5 years' consumption which gives more realistic average.

3.4.3 Sometimes necessity may arise for applying correction to CAR taking into account various factors such as climatic conditions, age of equipment, heavy consumption due to some technical fault, level of operations, etc.

3.4.4 Dues-in

Quantities of equipment or store due for delivery against indents, supply orders, RMSO's and direct purchase orders and yield from repairs are known as Dues-in.

3.4.5 Dues-out

Quantities of equipments/stores recorded on Dues-Out Card as being the unfulfilled requirements for which stock is awaited. In other words, had the stock been available, the item would have been issued.

3.4.6 Forecast Factor

It is the ratio between the forecast future strength and /or effort and the actual strength and/or effort. The forecast factor is a multiplying factor, which is applied to the past consumption data for spares and equipment in order to estimate the rate of consumption during the ensuing period. Forecast factors for different types of items are worked out by Directorate of Maintenance of

Administration Air HQrs and issued to the Provisioning Sections. The formula for working out Forecast Factor depends on the type of the item.

Forecast factor for 1st and 2nd line spares which are required to be maintained for future flying efforts of operation, is calculated on the basis of ratio between the past flying effort and planned future utilization of weapon system.

$$FF = \frac{\text{(Planned UE) X (Rate of effort per month) X (Forward Provisioning Period)}}{\text{(Flying hours done during the past 12 months)}}$$

FF for 3rd and 4th line spares is calculated on the basis of ratio of task achieved and task planned. (For further details, please see Leaflet No 8 to IAP 1541.

3.4.7 **Maximum Potential Establishment (MPE)**

It is the level up to which various types of stores/equipments are authorised to be provisioned at any given time. This is expressed in terms of so many months of anticipated requirements and denotes the period ahead for which requirements of equipment must be provisioned in bulk. This is also known as the forward ordering period. The MPE or the provisioning levels are fixed with the approval of the Government and form the basis for calculating future requirements except where 'life of type' provisioning has to be resorted to.

3.4.8 The MPE consists of the stocks required to be maintained at the depots and the quantity that will remain in the pipeline to keep the depot stocks replenished upto the authorized level. The MPE for any range of equipment is thus fixed both in relation to authorized level of holding in the depots and the procurement leadtime.

3.4.9 MPE is laid down for various ranges of equipment separately with due regard to their sources of supply and susceptibility to deterioration. The MPE for various ranges of Air Force equipments is given in Appendix to leaflet-1 of IAP-1541 is as under.

Non-perishable imported	=	60 months(57 months in computerized environment)
Non-perishable indigenous	=	36 months
DGOEF items	=	54months

Perishable items (Except dry batteries)	=	24 months
Dry batteries	=	9 months
HAL items	=	45 months

3.4.10 Review Action Figure (RAF) and Short Stock Figure (SSF):

IAF is following a cyclic review method of provisioning under which requirements are reviewed at fixed intervals i.e. quarterly, half yearly and annually depending upon type of stores. Since the consumption of spares for highly sophisticated aircraft does not follow a uniform pattern and fluctuates widely from time to time, it is necessary that when cyclic review method is adopted, the system of provisioning should have some built-in checks and controls to regulate procurement in keeping with the trend of consumption and to control issues to prevent stock-outs. For this purpose, pre-determined levels are fixed and when the depots reach those levels, requirements are reviewed or issues are controlled till fresh stock materializes. RAF and SSF are such pre-determined stock levels.

3.4.11 Review Action Figure(RAF) refers to a pre-determined stock level expressed in terms of so many months' requirements. When the stocks held at stockholding depot including ASPs of an item reach this level, a special review is undertaken and supplementary Indent placed if required. This is the re-order level. RAF for non-perishable indigenous items class 'A', 'B' & 'C' is 9 months. RAF for various items is provided in Appendix to Leaflet no.5 of IAP 1541.

3.4.12 Short Stock Figure(SSF) refers to a pre-determined stock level at the stockholding depots including ASPs on reaching which dues-in are hastened by expediting supply against outstanding indents and where applicable from yield off repair and further issues from stock-holding depots are controlled by the provisioning authority, except against AOG/IOR demands and all priority demands for indigenous items. If there are no outstanding indents, a special review is to be undertaken. Issue below SSF is also authorised against demand of ASP's but restricted to 50% of available depot stock. SSF levels for various ranges of equipment are indicated in Appendix to Leaflet no.5 of IAP 1541.

RAF and SSF figures are not to be worked out in respect of scaled rotables since issue of these items is subject to control.

3.4.12 Rotables

Items which are capable of being repaired and reused. This term is used in the Air Force to denote those items which:-

- a) have had or are expected to show turnover at the units, as a result of normal usage.
- b) Are considered economical to repair for re-use, and
- c) Which can be replaced by a unit and, beyond the capacity or authority of the unit to repair, must be returned to the appropriate repair agency for repair/overhaul(Please also see Leaflet No 11 to IAF 1541).

These items satisfy the following conditions :

Replace ability: The sub assembly must be removable and replaceable (LRU) at field unit level.

Turn over life: The item must have a reasonable turnover. This may be in terms of operating life that is 'Time Between Overhaul' or 'Mean Time Between Failure'(MTBF).

Repairability : Only LRUs which are capable of being repaired repeatedly on being sent to the repair agency for repair may be scaled as per the float.

Criticality: LRUs not fulfilling any of the above criteria may still be considered as a rotatable based on the criticality of the item. This is important for electronic equipment where the high rate of obsolescence means that certain critical items may need to be scaled.

3.4.13 The system of provisioning of rotables is different from that of other items for which forecast factor is applied to the annual consumption rate to determine gross requirements. Aircraft rotables are scaled and requirements are calculated with reference to units' entitlements and authorised reserves. Once initial provisioning has been undertaken to cover the authorised maximum establishment for flying units, overhaul agencies, aircraft storage depots, etc, depot reserves and the quantity required to cover the repair cycle, further provisioning of these items is restricted to anticipated wastage during the forward authorised period(which is 39 months) and any additional requirements arising from increase in the scale or UE. It is assumed that all rotables removed from

aircraft at flying units, overhaul agency, etc would be repaired and become available for re-issue except the quantity likely to be rejected as BER.

3.4.14 Line I and Line II

This type of repair to Air Craft is of elementary nature and is done at Wing level. The spares for this type of repair are requisitioned from Equipment Depots. Wings do not directly coin the provisioning review. The requirement is calculated by the formula $CAR \times FF$. Here CAR is calculated based on consumption and Forecast Factor is taken from the Air Hqrs letters issued from time to time.

3.4.15 Line III and Line IV

This type of repair is done at BRD level. The spares for this type of repair are procured by raising PR/SR(Provisioning review and special review) The requirement is calculated by the formula $FLCR \times F.F$ (Floor level consumption rate \times Forecast Factor) The details of floor level consumption rate are available at BRD. Forecast Factor in this type is calculated by the formula Task Planned divided by the Task achieved.

Chapter 4

PROVISIONING PROCESS

4.1 RESPONSIBILITY FOR PROVISIONING

Till recently the responsibility for provisioning of 1st and 2nd line spares was vested with Air HQrs and for 3rd and 4th line spares with respective BRDs. Due to change in policy, the responsibility of 1st and 2nd line spares has been shifted to EDs and for 3rd and 4th line spares remains with BRDs. For centralized ranges, HQ MC carries out provisioning review and forwards to Air HQrs. For decentralised ranges, HQ MC carries out provisioning review and raises indents with the approval of IFA/CFA. Procurement action of items ex-abroad is taken by Air HQrs for all ranges.

4.1.1 The system of provisioning should be designed in such a way as to ensure that the spares in stock and quantity in pipeline do not fall below the MPE at any stage. Therefore provisioning reviews are carried out periodically according to a pre-determined review programme, which is so planned as to ensure that the review/ process is evenly spread to cover all items. The system of provisioning requires that what is consumed over a period is progressively replenished, taking into consideration items in pipeline and force planned for the future. Dues-in, Dues-out position are maintained separately. This information provides valuable inputs to provisioning officer

- a. To determine the past consumption of an item for given period which is essential for provisioning purpose.
- b. To allocate inabilities
- c. To dispense and maintain stock at Equipment Depot in accordance with the policy laid down by Air HQrs from time to time.

4.2 PROVISIONING PROCEDURE FOR 1ST AND 2ND LINE SPARES

The provisioning for 1st and 2nd line spares is done at the EDs. The provisioning is based on consumption and flying hours. Recurring issues from EDs are taken as consumption for the purpose of provisioning. The provisioning procedure is as detailed below :

- 1) The consumption, forecast factor(FF),UE and flying hours are used to arrive at the estimate for the MPE period. The Directorate of Plans(D Plans) after obtaining Govt approval gives planned UE for each type of aircraft in

service covering the next five financial years or more to the Directorate of Maintenance Administration(DMA) at the end of each calendar year.

- 2) ACAS(Ops) lays down the rate of effort for each type of aircraft which is approved by VCAS with the concurrence of IFA(Air Hqrs).
- 3) The forecast factor(FF) is arrived at by DMA and this is again approved by AOM with the concurrence of IFA(Air HQ).
- 4) The approved FF, is then circulated amongst EDs/BRDs/HQ MC for raising the PRs.
- 5) Consequent upon introduction of IMMOLS, AON angle sanction is being processed at HQMC.
- 6) The items showing net requirements are included in the Schedule of Requirements (SOR).
- 7) The PR and SOR are vetted by the technical staff at Air HQ/HQ MC.
- 8) Once approved, the SOR is converted into indent.

4.3 PROVISIONING PROCEDURE FOR 3RD AND 4TH LINE SPARES

The PRs for 3rd and 4th line spares are carried out at BRDs. The primary input is the task plan and consumption. The procedure is as detailed below:

- 1) The task is assigned by the concerned Weapon Cell at Air HQ. This task is based on the expected number of repair arising. The rotatable history giving details of hours done and TBO is used to arrive at the task. The Weapon Cell prepares a draft task for five years which comprises one year's firm task and 4 years' tentative task.
- 2) The task is approved by AOM with the concurrence of IFA(Air HQ) and the approved task is communicated to the BRD. Procedure for preparation and processing of task is given in Leaflet No 30 of IAP 1541 and AOM Canon 04 of 2001.
- 3) The BRD raises the PR based on the future task and past consumption. The items showing net requirements are included in the Schedule of Requirement(SOR).
- 4) The BRD also gives the sources of supply and price of the item. The BRD sends the working sheet, PR and SOR to the concerned Weapon Cell at Air HQ/HQ MC for technical vetting. Once the PR is approved, the SOR is converted into indents.

4.3.1 Net Requirement:

Every item is reviewed at prescribed intervals in accordance with the pre-determined programmes for forecasting requirements for which Indents have to be raised. Deducting liabilities from assets arrives at the net requirement. The formula is as follows:

Net requirement:

Assets = Stock + Dues in + Estimated Yield off repair of repairable assets

Liability = Dues out + Requirement for MPE period

Net Requirement = Assets - Liabilities

The formulae for calculating net requirement will vary depending upon the class of the spares viz.

- 1) Mandatory spares = Task X Per Off
- 2) Non-mandatory spares = CAR X FF
- 3) Scaled rotables = As per Leaflet 11 of IAP 1541
- 4) Clothing Items:
 - a) Scaled items =
$$\frac{\text{Strength of Airmen X entitlement X MPE}}{\text{Life of item}}$$
 - b) Non-scaled items = Avg. consumption X MPE

4.3.2 Schedule of Requirement:

The provisioning review/ special review statement contains the details regarding part/section No. Nomenclature, quantity required, increases or decreases due to technical application duly vetted by the technical officer. The net requirement so arrived will be extracted in Schedule of requirement. The SOR will contain all details such as Sl.No. Part No. Nomenclature, quantity, Unit price and total cost.

4.3.3 Definition of Indent:

Indent is defined as a formal order prepared on prescribed forms, for supply of equipments, placed on Procurement/Supply agency. This term also includes RMS orders placed on M/s HAL and also serves as supply order to agencies such as DGS&D, DGOF, M/s BEL etc. In case of imports, indent is placed on Air HQ, being procurement agency.

4.3.4 Before placing Indent, net requirement is worked out on the basis of provisioning reviews undertaken at prescribed intervals. A draft Indent is to be prepared for the items required to be ordered, for approval of IFA and CFA.

4.3.5 Indents should cover requirements of all items included in periodical reviews.

- (a) New Modification;
- (b) Items newly introduced in the service;
- (c) AOG, IOR and URR requirement and those arising out of special reviews.

Note: - AOG Aircraft on Ground
IOR Immediate Operational Requirement
URR Urgent Repair Requirement

4.3.6 A single Indent should be raised for all requirements arising from one provision review and financial approval obtained on that basis, where, however, due to restrictions on the number of items to be included in one Indent, it is necessary to raise more than one Indent or if supply agencies are more than one, against a provisioning review, financial approval should be obtained as a whole for all Indents on the basis of one review.

4.3.7 Apart from requirement arising from reviews undertaken by provisioning sections at Air HQr and by depots, draft covering Indents are also required to be raised for the following:

- a) Purchase of Aircraft, Aero engine and Helicopters;
- b) Initial procurement of spares recommended by IPC, MPT or Board of Officers.
- c) Min. of Def. letters authorising procurement of equipment

4.3.8 Indents may be placed on various agencies based on value and supply agency

- i. HQ MC (Purchase Cell) - Estimated cost more than Rs.2crore
- ii. ED/BRD - Estimated cost upto Rs.2 Crores
- iii. M/s HAL - RMSOs/LRMSOs
- iv. Air HQrs - Procurement Ex-abroad.
- v. DGOEF - For items supplied by DGOEF.

4.3.9 **Documents to be submitted along with draft Indent for vetting by IFA**

- a) Provisioning Review Sheet
- b) Schedule of Requirements;
- c) Dues in, Dues out details,
- d) Working sheet;
- e) Fixed quotation of HAL or estimated cost quotation of the PSU

- f) PAC if procurement is on PAC basis
- g) Budgetary quotations, if any;
- h) Copies of last Supply Order if any;
- i) Import clearance certificate in case of Indent raised on Air HQ for import.
- j) Non availability certificate from indigenous sources
- k) Technical vetting of requirement by authorised officer
- l) If it is first time procurement, SOC furnished. with full justification.

4.3.10 **Financial Scrutiny of Draft indents by IFA:**

A draft Indent should contain the following information

- I. Description of Stores:, Full particulars including the section number, reference description and denomination or the quantity of each item.
- II. Additional details: Details of the major assembly of which the items are components or accessories and also the name of the manufacturer should be indicated.
- III. Sources of Supply: Details of latest contract under which the item was procured should be indicated in the remarks column of the Indent: Likely sources of supply are to be indicated including. PSUs if any. Wherever the indent value exceeds Rs 5 Crores and value addition by a PSU is at least 20%, purchase preference to central public sector enterprises will be incorporated in Indent. If an Indent of the item is outstanding, details thereof should also be mentioned.
- IV. Mode of Tendering: Mode of tendering, such as OTE, LTE, STE and PAC should invariably be indicated in the Indents.
- V. Head of Account: The major head, minor head and code head to which the expenditure is to be booked is to be clearly indicated in the Indent.
- VI. Budgetary provision: Availability of funds to meet the proposed expenditure is to be certified and commitment thereof is to be noted.
- VII. Authority for raising Indent: The specific authority or Government letter under which powers have been delegated should be clearly mentioned in the Indents.
- VIII. Pricing of Indent: The pricing of Indent is to be done carefully. This estimated cost is the basis for determining the CFA initially and reasonability of rates later on. The estimated cost is prepared:
 - a. By obtaining budgetary quotation along with manufacturers' priced catalogues.

- b. When price lists are not available, purchase price as shown in latest contract and Local Purchase order under which the items were procured are to be indicated which should not be more than three year old.
 - c. When price list or contract/LPO prices are not available, prices are to be assessed by specialist officers and it should be indicated in the Indent accordingly.
- VIII. Delivery Date: The date by which delivery is required should be clearly stated in Indents. Terms like "as soon as possible or urgently required are not to be used. In case of perishable items with limited shelf life, delivery should be suitably phased with due regard to the shelf life and the anticipated rate of consumption. In such cases, it should be clearly stated in Indents that deliveries earlier than dates specified will not be accepted. While tendering this delivery date will be taken into account.
- IX. Carton Unit Quantity : The carton unit quantity should be specified for each item on indent based on the recommendations of the stockholding ED. This should be invariably quantity one for rotables and high value items.
- X. Urgency Certificate: Priority Indent should be used sparingly and that too only for operational requirements like AOG, IOR and urgent requirement like URR, USR.
- XI. Proprietary Certificate: Where the items to be procured are proprietary of any firm or a particular make of any equipment is required, a proprietary certificate as per the prescribed proforma is required to be issued by CFA with the concurrence of associated finance/IFA, duly recording adequate reasons.
- XII. Clearance from the point of indigenous availability is to be ensured before concurring proposals for import: Further address of the consignee, packing and dispatch instruction, and inspection clause should be clearly indicated in the Indent.
- XIII. It is to be verified that the indent has been vetted by the Specialist officer.
- XIV. Net Requirement:
- a. Arithmetical correctness is to be checked
 - b. Quantities of PR and SOR statement should be similar. In case there is reduction of quantities in SOR, reasons therefor are recorded.

c. PR/SR are technically vetted. Net requirement is worked out using the correct formula, since different formulas are used to arrive at net requirement.

XV. Last Paid Rates: While preparing estimated cost, last paid rates should not be increased by percentage to account for inflation. While preparing estimated cost, last paid rates should not be older than three years.

XVI. The pricing of SOR is to be checked to see whether it has been priced on budgetary quotations, LPP or as per price list of firm or estimated rate. No escalation in LPP rate is to be allowed. For realistic pricing of Indents budgetary quotations are to be obtained.

XVII. Inspection clause is to be inserted on all indents/orders.

XVIII. Noting of FC No.& Date: The financial concurrence number and date of IFA should be clearly indicated in Indent.

(For detailed procedure, please refer to the relevant Leaflets to IAP-1541.)

4.3.11 **Reduction/Cancellation of Indents with concurrence of IFA**

If provisioning review reveals that assets, i.e. stock plus dues-in are in excess of the quantity authorized to be held for the approved MPE period, action is taken to cancel/reduce the outstanding Indents to the extent of known surplus.

Cancellation/reduction of Indents may also be effected on the specific advice of the procurement agency, either because the stores are not available or if available not to the extent Indented in consultation with IFA. In such cases it will be necessary to place fresh Indents for the quantity cancelled/reduced in consultation with IFA.

4.4 **CHECK LIST: PROVISIONING**

- 1) It is to be ensured that net requirement has been worked out properly with regard to liabilities and assets. Dues-in, dues-out, stock position, CAR and F.F have been properly worked out.
- 2) It is to be ensured that M.P.E. has been worked properly. In no case should the provisioning exceed the months fixed for M.P.E. Similarly it is to be ensured that S.S.F. and R.A.F. figures have been worked out correctly.
- 3) It is to be ensured that M.P.E. has been correctly worked out for perishables, short shelf and common user items.
- 4) It is also to be ensured that Current Annual Rate (C.A.R.) and forecast factor (F.F) have been correctly accounted for.

- 5) It is also to be ensured that assets have been properly accounted for with regard to serviceable stocks, dues-in and estimated yield from repairable assets.
- 6) It is to be verified that the estimated cost indicated in the indent has been worked out properly with regard to (1) Last purchase price (2) Budgetary quotations (3) Cost assessed by specialist officer in case of first time procurement. In. no case should L.P.P. be escalated.
- 7) It is also to be ensured that sources from which items are proposed to be procured viz DGOF, HAL etc are to be vetted.
- 8) In case of PAC it is to be examined that the items are of proprietary nature and firm/source proposed is an OEM .PAC should not be accorded for bought out items.
- 9) The mode of tendering, namely OTE, LTE and STE are to be examined. In case of P&M, two-bid system to be followed is to be indicated in indent.
- 10) It is to be further ensured that head of account has been correctly indicated and budgetary provision has been made.
- 11) In case of RMSO orders for HAL, it is to be ensured that quoted rates are as per their printed price catalogue..
- 12) In case of bought out items under RMSOs. details of the source, nature of the item, imported or indigenous, departmental charges if any, handling charges etc are to be called for from M/s HAL. No mark-up is to be allowed to M/s HAL on Bought out items.
- 13) Where price lists are not available, the cost break-up of the items quoted with regard to material, labour overheads, profit, insurance, freight, handling charges, taxes and duties are to be called for assessing the reasonability of the rates.
- 14) In case of indents for imported items, it is to be confirmed that the items are not available from indigenous source.
- 15) The authority under which the indent is raised is to be verified with reference to specific Government order or authority, which is to be invariably quoted in the indent.
- 16) Whenever financial concurrence is accorded to any indents, it is to be ensured that FC number and date are invariably indicated in the indent.
- 17) All amendments, cancellation of indents are to be concurred by the

IFA..

- 18) After opening of tenders, the estimated cost of indent should not be increased. .
- 19) While issuing indents, it is to be ensured that ink signed copies of the indent are endorsed to the respective IFA's and to audit authority.

Chapter 5

PROCUREMENT PROCEDURE AND POST CONTRACT MANAGEMENT

5.1 STAGES OF PROCUREMENT

Procurement comprises the following stages:

1. Selection of sources
2. Mode of tendering
3. Vetting of Draft Tender Enquiry
4. Participation in tender opening
5. Scrutiny of CST
6. Participation in TPC/PNC
7. Financial concurrence
8. Vetting of Draft supply order
9. Placement of supply order
10. Post contract management.

5.2 TYPES OF TENDER ENQUIRY

5.2.1 Open Tender Enquiry

This system is generally followed where estimated cost of demand is Rs.25 lakhs and above. Advertisement in such cases should be given in the Indian Trade Journal and atleast in one national daily having wide circulation. Organisation having its own website should publish all its advertised tender enquiries and provide a link with NIC website.

5.2.2 Limited Tender Enquiry

This system is generally adopted when the estimated cost is upto Rs.25 lakhs. LTE should be issued to all registered suppliers.

Purchase through LTE may be adopted even if estimated value of procurement is more than 25 lakhs, in the following circumstances.

- a. When it is not in public interest to call for tenders by advertisements. In such cases, reasons must be recorded.
- b. Where the demand is urgent, the nature of urgency must be recorded by CFA.
- c. When the sources of supply are definitely known and possibility of fresh source is remote.
- d. As per Para 4.3(1) of DPM 2006, number of suppliers in Limited Tender

5.2.3 Single Tender Enquiry: On PAC basis

This is adopted in case of procurement of Proprietary articles or where it is definitely known that there is only one source of Supply. Proprietary Article Certificates are to be issued by CFA with the concurrence of respective IFA, duly recording the reasons.

Reasons for issue of PAC are as follows:

- i. Fitness: the requirement of fitting equipment in a certain space and interfacing with other equipment is there.
- ii. Availability: No other known manufacturer is available.
- iii. Standardization: Where there is a need to minimize spares support problem.

5.2.3.1 Where many of the OEMs are not permitted to respond to RFP as per Government Rules/laws and it is to be ensured that RFP is issued only to the designated agency.

5.2.4 Single Tender Enquiry: Non-PAC basis

Procurement from a single source may be resorted to in the following circumstances:

- i) It is in the knowledge of the user department that only a particular firm is the manufacturer of the required goods.
- ii) In case of emergency by recording reasons and approval of CFA
- iii) For standardisation of machinery or spare parts to be compatible to the existing set of equipment or on the advice of technical expert approved by CFA.
- iv) See that the selected vendor is a reputed firm
- v) Special dispensation to NCCF/Kendriya Bandar for procuring goods on single tender basis is no longer in force vide para 2.11 of DPM 2006. However Government Instructions exist for reserving certain items to KVIC, Acash, CCIC and SSIs in terms of Rule 144 of GFR 2005. These instructions should be looked in to before clearing the case on single tender.

5.3 ISSUE OF STE, PAC AND LTE

Single Tender Enquiry PAC and Non-PAC and Limited Tender Enquiry are to be issued with the concurrence of IFA and approval of CFA. There is no gainsaying the fact that competition is limited to a few established and registered firms, which determines the nature and cost of procurement. Association of Finance in approval of sources and right sourcing in Limited and Single Tender Enquiry is Indispensable in IFA system.

5.3.1 Nature of Tender Enquiry

There are two systems of Tender Enquiry.

1. Single Bid System: In case of store items, COTS (commercially off the shelf) items and other items, which do not involve technical evaluation, Single Bid System is followed.
2. Two Bid System: This system is followed particularly for purchase of Plant & Machinery and specialized stores like IT and communication systems and in projects, where quantitative requirements and technical specifications can not be framed up abinitio. In this System the tenders are invited simultaneously in two parts.
 - a. Technical Bid: Containing the Techno-Commercial offer and
 - b. Price Bid: containing price.

Price bids of only technically and commercially acceptable offers will be opened after techno-commercial evaluation by TEC.

5.3.2 Technical Bids should be opened first on prescribed tender opening dates and time Price Bids of technically acceptable offers should only be opened later on a specified date.

5.4 REGISTER OF APPROVED CONTRACTORS

In cases of LTE capacity of the firms is to be verified and firm is to be registered before issue of Tender. A firm which though not yet admitted to the "Register of approved Contractors" has submitted an application for admission thereto, may be issued tender only on understanding that such tenders will not be considered unless the firm has actually been admitted to the register before opening of Tenders. (Rule 235 of FR Part I Vol I) In other words, no tenders should be rejected after opening of tenders on the grounds of lack of capacity to supply.

5.5 REASONABLE TENDERING TIME

Time to be allowed for submission of tenders in case of OTE is not less than 6 weeks and in case of LTE is not less than 4 weeks. A period of 10 days is to be added to above time schedule of 4 weeks where the firms have to obtain specifications/drawings from outside parties. (Para 8.5.6 of DGS & D Manual) In case of OTE a margin of 15 days to be allowed for publication in the Indian Trade Journal.

5.6 GENERAL POINTS TO BE SEEN FOR VETTING OF PROVISIONING / PROCUREMENT PROPOSALS

At various stages of provisioning/procurement, the following general points may be seen in respect of all the proposals in lists for various Schedules :

5.6.1 Acceptance of Necessity

While scrutinizing proposals at this stage, it may be seen whether the following conditions are met :

1. Whether SOC justifying requirement has been submitted.
2. Whether the code head to which expenditure is to be compiled has been indicated.
3. Whether budget availability is certified and allotment as well as up-to-date expenditure alongwith liabilities for the current year indicated.
4. Whether the proposed purchase is a purchase under Revenue head or items proposed are of capital nature (Expenditure on any item which costs Rs 10 lakh or more and also has a life of 7 years or more is classified as Capital expenditure).
5. Whether quantities have been vetted by a specialist officer.
6. Whether recommendation of penultimate CFA is there.
7. Whether estimated cost of procurement has been given w.r.t LPP, budgetary quotes or assessed price for determination of the CFA.
8. Whether item is available on DGS&D RC.
9. Whether mode of tendering i.e. LTE/STE/OTE has been given.
10. Whether in case of single tender, PAC is signed by an authorized officer.

5.6.2 Vetting of draft tender enquiry and selection of sources

A tender becomes a contract on acceptance hence it should be ensured that Tender Enquiry is complete in all respects and all relevant clauses have been incorporated in TE. While vetting the draft tender enquiry, it may be seen whether the following requirements have been met :

1. Standard forms have been used for tender enquiry and all amendments authorized to these forms from time to time have been carried out before issue.
2. Time and date for receipt and opening of tenders has been clearly indicated as per the guidelines.
3. Prescribed time has been allowed to the tenderers to submit their quotations, depending on the type of enquiry being issued.
4. Validity period has been indicated realistically keeping in view the nature of stores and the processing time required particularly in cases where consultation with the Indentor on the suitability of offers received would be necessary. (The period of validity of a single bid RFP should be normally 90 days and of a two-bid RFP 120 days from the date of submission of offer. In case of imported stores, validity may be up to 180 days.)
5. Amount to be furnished by unregistered firms as EMD(also called bid security) has been calculated and indicated correctly. It may be ensured that percentage of EMD amount is not indicated rather EMD amount may be fixed in absolute terms between 2% and 5% of the estimated value of the contract. The EMD should normally remain valid for a period of 45 days beyond the final bid validity period.
6. Description of stores including specifications / drawings is correctly indicated in the schedule. Quantity required worked out correctly is to be ensured.
7. Required number of copies of drawings/ specifications is proposed to be made available to the tenderers in case the store is required to non-standard specifications/ drawing,
8. Authority to whom tender sample is required to be furnished for testing and the time within which the sample should be submitted for inspection have been indicated in the enquiry. (The time required for sample inspection must invariably be factored in while fixing the delivery period).

9. Inspecting authority is correctly indicated.
10. Where purchase of large quantities of stores is involved or where shelf life of stores is limited, delivery may be specified in installments, depending on staggered requirements of indenter.
11. Clauses regarding Risk and Expense purchase as also termination of contract on failure to adhere to the terms & conditions of the contract have been included
12. Standard payment terms have been suitably indicated along with the paying authority.
13. In case of purchase of imported stores, the appropriate shipping clauses are incorporated. Other special conditions viz. payment terms for FOB/FAS contracts etc. should also be indicated in the enquiry. Purchase to be done through OEM/PAC only. In case of non OEM sources, the firm should be registered with MOD/IHQ.
14. Requirement of Security deposit and various forms in which SD is to be submitted has been indicated clearly. (The firms registered with DGS&D, NSIC under single point registration and SSI are exempted from furnishing Security Deposit. This is to be clearly indicated in TE.)
15. Requirement of furnishing performance guarantee to cover warranty period has been indicated in respect of Plant and Machinery and other specified stores. (Performance Bank Guarantee of at least 5% of the contract value has to be provided by the firm. PBG should remain valid for a period of 60 days beyond the date of completion of contract including warranty)
16. Sole arbitration clause has been indicated in TE.
17. Option clause incorporated in TE to increase or decrease the contracted quantity up to 50% at the same rates and on the same terms and conditions at any time during the currency of the contract. (Option quantity during extended DP should be limited to 50% of balance quantity after original delivery period.)
18. Standard repeat order clause for placing a repeat order to a maximum of 50% of the originally ordered quantity within 6 months from the date of supply against the original order has been included in TE.
19. Where commercially off the shelf (COTS) items are proposed for purchase, and QRs and technical specifications are clear, single commercial bid system is proposed to be followed. It also needs to be

- ensured that reference to the brand names and catalogue numbers is avoided.
20. Criteria for evaluation and acceptance of bids have been prescribed in the TE.
 21. A clause seeking confirmation from the bidders for acceptance of part quantity has been included.
 22. Clause regarding the Purchaser's right of rejection of any or all tenders without assigning any reason has been included in the TE. This clause can be invoked in cases where it is discovered after opening of tenders that the requirement has ceased to exist or there is a major change in technical specifications.
 23. Clause regarding successful installation and commissioning has been included. A part of payment needs to be held back until installation and commissioning is completed successfully.
 24. Clause about imposition of Liquidated damages of 0.5% per week or a part thereof subject to a maximum of 5% of the order value of undelivered goods has been included.
 25. Provision regarding Price Preference of 15% to the SSI units as compared to the large-scale industries as per the Govt policy has been included. (optional clause).
 26. Purchase Preference clause in respect of Central PSUs has been included. In purchases amounting to Rs 5 crores and above where Central PSUs have quoted a rate within 10% of the lowest rate, they are entitled to purchase preference at the rate offered by the lowest tenderer provided they have made a value addition of 20%.
 27. Clause about hardware/software upgradation has been included in TE particularly in respect of IT items, other high technology items and EPABX systems. (This binds the bidder to provide all the upgrades free of cost if the same have been launched free of cost by the OEM as a matter of policy otherwise the purchaser has the option to get the upgrades by making necessary payments.)
 28. An uptime clause has been included in case of electronics items, IT items, exchanges, etc. An uptime clause indicating a minimum uptime of 95% during warranty/AMC may be included in the TE. In case of non-adherence to this clause, the bidder will be subject to the payment of penalty, which may be specified in the TE.

29. AMC clause has been included in the TE where required asking the bidder to give confirmation of AMC for the life of the equipment specifying the minimum years for which AMC should be provided and the rate in terms of percentage of cost of equipment for the same.
30. Book Examination clause is included particularly in the case of high value single vendor cases in which case option of examination of books of account will be there with the purchaser to assure himself of reasonability of price.
31. List of vendors has been furnished. It will be verified to see whether all past suppliers and respondents are included for floating T.E. If not, reasons for the same are recorded.
32. Delivery period and schedule clearly specified.
33. Letter of regret is asked from the vendors who do not wish to respond
34. Warranty is clearly specified in the T.E

The following are the standard terms and conditions, which need to be considered for inclusion in a Tender Enquiry.

- Description of stores and specifications
- Quantity
- Inspection Authority
- Inspection Officer
- Inspection Procedure
- Testing Facilities
- Sampling Procedure
- Right of acceptance/rejection
- Performance criteria, if any
- Place of Inspection
- Identification And Packing Instruction
- Mode of Despatch
- Despatch Instruction
- Terms of Delivery
- Delivery Schedule
- Earnest Money Deposit
- Consignee
- Risk of Loss or Damage to Government Property
- Risk and Expense Clause
- Security Deposit

- Performance Bank Guarantee
- Failure And Termination
- Liquidated Damages
- Option Clause
- Repeat order
- Price Preference to SSI
- Purchase Preference to CPSUs
- Software/hardware Up gradation Clause
- Uptime
- AMC Clause
- Assurance of spares
- Training
- Users List
- Paying Authority
- Paying Officer
- Head of Account
- Terms of Payment
- Transit Insurance
- Installation & commissioning
- Rectification of Defects
- Warranty / Guarantee
- Withholding and Lien In Respect of Sum Claimed
- Lien In Respect of Claims In other Contracts
- Arbitration
- Laws Governing the Contract.
- Jurisdiction of Courts
- Secrecy of Information
- Book Examination Clause
- Fall Clause (Applicable in case of Rate Contract Only)
- Validity of offer
- Date and time of receipt of tenders
- Date and time of opening of tenders etc.

5.6.3 **Participation in Tender opening**

While participating in tender opening, IFA/IFA reps may ensure the following :

1. Whether tender box is locked and sealed and the seals are not tampered with.
2. Whether tender box is opened on the date and time specified in TE by the Board of officers in the presence of authorised representatives of firms.
3. Whether it has been verified before opening of tenders that all tenders received by post also have been dropped into the box apart from the tenders received by hand.
4. Whether no delayed or late tenders are considered for opening. (Tenders received after closing time and before opening time are termed as delayed tenders. Late tenders are those, which are received after opening of tenders.)
5. Whether Tenders received by FAX and telegram have not been considered. However, in cases of Single Tender Enquiry or PAC purchases, Tenders sent by FAX can be accepted, provided the same are complete in all respects, such as specifications, rates etc and are followed by a regular tender within 3 days from the date of opening of tenders.
6. Whether rates quoted and taxes, duties, etc are read out to tenderers. EMD, if any submitted is also to be read out.
7. Whether each tender has been serially numbered and signed by all members on each page of quotations as well as covers.
8. Whether the rate, taxes and duties, payment terms, delivery period etc., have been encircled by tender opening officers and initialed using red ink pen.
9. Whether any alterations made in tenders by the firm have also been initialed legibly to make it clear that such alterations were present on the tender at the time of tender opening.
10. In case of two bid system where only technical bids are opened first, tender opening officer / committee should sign on the sealed envelopes containing commercial bids and obtain initials of trade representatives if present. Thereafter, these sealed envelopes are to be placed in a bigger envelope and sealed duly signed by the tender opening officer / committee and trade representatives.
11. A comparative statement of tenders is prepared and signed by the authorised officer of the concerned Purchase Cell and submitted to

5.6.4 Scrutiny of CST

At the time of scrutiny of CST, the following points should be observed / examined:

1. CST has been prepared in conformity with the rules of FR Part-I.
2. Rates & taxes, duties, packing & forwarding, freight charges and other terms and conditions are properly accounted for in CST and should be verified with original quotations.
3. Ranking of offers has been done properly.
4. Estimated cost or last purchase price is indicated in CST for enabling fair competition.
5. Deviations from Tender Enquiry have been brought out in CST.
6. Rates received are not abnormally high or low compared with last paid rates. The offer of the lowest tenderer has been recommended for placing order. If not, specific reasons have been recorded for rejection of the lowest tenderer.
7. There is adequate competition.
8. No. of firms on whom TE was floated and number of firms who have responded has been recorded in CST
9. No late/delayed/ unsolicited tenders have been included in CST.
10. Firms have quoted standard payment terms and no advance payment request should be accepted except in case of fabrication contracts, turnkey contracts and AMCs to the extent prescribed in the Rule 159(1) of GFR
11. Modes of delivery, delivery period, LD, security deposit, warranty as per TE clauses are acceptable to the firm.
12. Offers are technically acceptable and there is no deviation from specifications.
13. Whether the firm is holding DGS&D rate contract or not should be indicated in the CST.
14. The CST has been signed by all members of the committee.
15. If any standard clause is not acceptable to the firm the same is highlighted in CST.
16. Validity of the quotations has not expired.
17. Remarks regarding furnishing of EMD by the vendors where EMD

has been asked for in the T.E

5.6.5 Participation in TPC/PNC

The following points are to be examined before participation in TPC/PNC :

1. Whether the constitution of TPC is in order, depending upon financial powers delegated.
2. Whether Indent/Provisioning has been vetted by IFA and sanctioned by appropriate CFA depending on value.
3. Opening of tenders has been done properly as per Rules. All amendments/corrections of Tenders have been initialed by opening officers with date.
4. C.S.T. has been prepared properly taking into account amongst other things, taxes/duties, transportation, and packing and forwarding charges. Ranking statement has been prepared properly.
5. Validity of quotations on the date of holding TPC is verified. Validity period means valid for the period notified in enquiry excluding the date of tender opening. (Para 8.5.7 DGS&D Manual)
6. It is to be ensured that only L1 has been called for negotiations, if required. In cases, where firm other than L1 has been called, adequate reasons are to be recorded by CFA and prior concurrence of IFA is to be obtained.
7. Scrutiny of Tenders is to be undertaken with regard to payment terms, delivery period, inspection clause, taxes and duties, LD clause, SD Clause, Arbitration etc.
8. Basis of selection of sources – Whether established & registered firms have been issued TE with the concurrence of IFA and approval of CFA in cases of PAC and LTE.
9. Capacity of the lowest tenderer, its financial and commercial status, past performance and load factors are to be examined.
10. In case of proprietary items; it is to be ensured that prior concurrence of IFA has been obtained.
11. Whether there is adequate competition.
12. IFA should ensure that two-bid system is followed for Plant and machinery. In such cases, price bids of only technically acceptable offers are opened. Lowest technically acceptable firm is called for negotiations, where the rates are on the higher side, in consultation

with IFA.

13. Reasonability of rates is to be examined with regard to
 - Vetted estimated cost/ L.P.R
 - Where last paid rates are not available, assessed cost by specialist Officers
 - Cost break-up of the firm.
14. No conditional discounts may be taken cognizance of.
15. It needs to be seen whether while issuing clarifications to a prospective bidder on tender documents, copies of clarifications were endorsed to all bidders who were issued tender.
16. In case of Plant and Machinery, all these factors viz. Maintenance spares for a specified period, AMC, Guarantee/warranty clause, Inspection clause, after-sales service, Performance Guarantee for warranty period, are to be negotiated.
17. It is also to be ensured that financial advice, if any offered by IFA, is correctly recorded in minutes of TPC. If not, the minutes of TPC can be modified to record the same.
18. If re-tendering is recommended by the TPC, it may be recommended in the circumstances some of which are listed below recording reasons:
 - Where offers do not conform to essential specifications.
 - If there are major changes in specifications and/or quantity, which may have considerable impact on the price.
 - Where prices quoted are unreasonably high with reference to assessed price or there is evidence of a sudden slump in prices after opening of tenders.
 - Where lack of competition is there due to restrictive specifications.
19. If L1 does not have a capacity to supply within the delivery period as per RFP, after loading the L1 fully as per its capacity and past delivery, recommendation to place order on L2, L3 and so on for the balance quantity at L1's rate could be made by TPC/PNC.
20. It may be seen whether bids have been evaluated in terms of the conditions already incorporated in the bidding documents and no new condition which was not incorporated in the bidding documents has been brought in for evaluation of the bids.
21. As per CVC guidelines, one agent cannot represent two suppliers or

quote on their behalf in the same tender enquiry. Such quote has to be rejected.

22. In case of imported stores, either the Indian Agent on behalf of the foreign principal or the foreign principal directly may bid in a tender but not both. In cases where an agent participated in a tender on behalf of one manufacturer, it may be seen that he is not allowed to quote on behalf of another manufacturer along with the first manufacturer in a subsequent / parallel tender for the same item.

5.6.6 Expenditure Angle Sanction

The following points may be seen while giving concurrence from expenditure angle:

1. Whether the evaluation and comparison of responsive bids has been done based on the prices of the goods offered inclusive of levies and taxes i.e. ST, ED, Packing and forwarding, freight and insurance but exclusive of octroi/entry tax which will be paid extra as per actuals, wherever applicable.
2. Whether tender notice was sent by post to the past successful suppliers and likely suppliers registered with the department even in case of open tendering and postal receipts have been recorded in the file.
3. Whether in case of PAC purchase, validity of Proprietary Article Certificate which is one year from the date of issue has not expired.
4. Whether in OTE cases the commercial bid of an unregistered firm meeting the laid down technical parameters detailed in RFP has been opened only on approval of the sample and capacity verification by the AHSP / designated inspection agency..
5. In case some queries are found to have been raised by a bidder, it may be seen whether copies of the query as well as clarifications issued have been sent to all prospective bidders who have received the bidding documents.
6. Whether no late bids have been accepted which are to be returned unopened to the bidder.
7. Whether no bids, which are, deviating from the critical conditions such as EMD (Bid security), warranty and guarantee, applicable law, taxes and duties have been accepted.

8. Whether price negotiation has invariably been conducted in single tender situations including PAC cases.
9. Whether in cases involving placement of repeat orders, powers of the CFA have been reckoned keeping in view original quantity plus repeat quantity. The conditions given in Para 5.11 of DPM 2006 need to be fulfilled for repeat orders.
10. An offer higher than the sanctioned price (based on LPP or asserted price) can be concurred provided that the increased amount is within CFA's delegated powers duly recording reasons. In case the increased amount exceeds the financial powers of the CFA, approval of ext CFA under delegated powers may be sought.
11. Whether TEC report has been approved by the CFA.
12. Wherever revised commercial bids are obtained due to clarifications on technical specifications after opening of technical bids, original price bids have not been opened and approval of CFA for RCB has been taken.
13. Whether if at TEC stage only one vendor is found complying with all the QRs, the commercial bid of the technically compliant vendor has not been opened and the RFP retracted with the approval of CFA and a fresh RFP issued by suitably reformulating the QRs.
14. In cases where L1 tenderer has withdrawn his offer, retendering is to be resorted to. Only in exceptional cases with the reasons to be recorded in writing can negotiation be carried out with L2 in such cases. CVC Circular no 4/3/07 dt 03-03-2007 is relevant in this regard.
15. Fund position to be indicated clearly and no concurrence may be given, if funds are not available

5.6.7 Vetting of draft supply orders

IFAs have been entrusted with the work of vetting draft Supply Orders. Draft Supply Order is vetted with regard to original quotations/tenders, standard terms and conditions of contracts and other GOI rules. The conditions given in TE are to be included in the supply order. The following points need to be seen while vetting the SOs :

1. Payment Terms: Whether Paying authority and payment terms are incorporated in the contract as per guidelines of MOD. Payment terms

vary depending on nature of items as follows :

- a. 100% payment against receipt of stores by consignee in acceptable condition.
 - b. 90% or 95% payment on proof of dispatch and balance after receipt of stores. In no case, should it be 100% payment against proof of dispatch.
 - c. 80% payment against receipt of Plant and Machinery in acceptable condition by consignee, 10% payment after successful erection and final 10% payment after successful commissioning against 10% performance bank guarantee from any Nationalized bank to be kept valid till 60 days after the expiry of warranty period.
2. Whether the prices have been correctly indicated and variation, if any, has also been stipulated on the basis of a well-defined and clear-cut price variation formula after approval from the competent authority.
 3. Whether the firms have asked for sales tax/service tax separately. If so, whether it has been shown properly in the contract.
 4. Whether the status of excise duty is clearly specified in the supply order.
 5. Whether the delivery period with or without L.D stipulated in the contract is in accordance with the delivery agreed to by the tenderer. Whether the terms of delivery have been correctly specified.
 6. Whether the terms and conditions including special conditions stipulated in the contract are in conformity with the offer of the firm and variation, if any, has been mutually settled.
 7. Whether force majeure clause is incorporated in the supply order only if specific request is made by the firm.
 8. Whether despatch and inspection instructions have been correctly incorporated. Whether Inspection agency and inspecting officer have been clearly indicated in the Supply Order.
 9. Whether the copies of the Supply Order have been endorsed to all concerned including inspectorate and Accounts Office.
 10. The stores should on no account be dispatched / delivered without getting the same inspected and passed by the Inspection Officer stipulated in the order (unless the inspection at destination is required.)
 11. Whether Heads of Accounts are indicated correctly.

12. Whether the paying authority and paying officer are indicated correctly.
13. Whether the tendering firm has accepted the standard "sole arbitration clause".
14. Whether specifications given in the contract are in accordance with T.E. and accepted by the firm and are complete in all respects.
15. Whether all relevant communications from the contractor leading to his agreement to the contract terms and conditions have been referred to in the contract.
16. If the firm is unregistered / untried whether it has agreed to lodge security deposit against the contract.
17. Whether the contract provides for submission of advance sample. If so, whether a definite, reasonable and correct time limit has been laid down.
18. Whether the transit risk clause has been correctly stipulated.
19. Whether the firm has asked for any assistance for clearing the raw materials and if so, whether a suitable provision has been incorporated making it clear whether it is a contractual obligation or otherwise.
20. Whether the firm has agreed to placement of additional 50% quantity under option clause. If so, whether the purchaser's right to do so has been reserved up to specified date.
21. Whether in case of Plant & Machinery, suitable provisions have been made regarding erection and commissioning, after sales service, warranty period, training of purchaser's personnel, etc.
22. Whether the following documents have been specified in the supply order for submission along with contractor bills for payment viz.
 - a. Original copy of Supply Order
 - b. CRV in case of 100% payment
 - c. Inspection note
 - d. Guarantee/Warranty certificate
 - e. Excise Invoice
 - f. Freight receipts
 - g. Any other document required
23. Whether in case of prorata payments, there is a provision for submission of Xerox copy of the Supply Order with each bill and

original copy of supply order with the final bill.

24. Whether necessary instructions regarding Military Credit Notes have been incorporated.
25. Whether suitable packing and transit insurance instructions against loss or damage in transit have been incorporated.
26. If materials are to be issued to contractor by the Govt, whether suitable provision has been made as regards issue price, collateral security deposit and custody, accounting etc.
27. Whether standard Liquidated Damage (L.D) clause has been suitably incorporated in the contract.
28. Whether F.C number and date has been correctly and clearly indicated in the supply order.

5.7 MONITORING POST- CONTRACTUAL MATTERS

IFA is associated with contract management also as under :

- Delivery period extension, re-fixation of DP (including force majeure)
- Levy / waiver of LD
- Changes in rates / taxes, duties
- Change of consignee
- Accepting of material with slight deviation
- Option clause
- Risk purchase
- Forfeiture of security deposit
- Short closure
- Cancellation.

5.7.1 Delivery period extension with concurrence of IFA

As the delivery period extension constitutes an important amendment to contract having definite financial and contractual ramifications, hence at the time of considering the proposal for extension of delivery period, the status of supply position and supply order is to be reviewed keeping in view factors mentioned below

1. Whether the user has suffered any actual or potential loss due to delay.
2. Whether the requirement of the user is being reviewed.
3. Whether there is no downward trend in the prices.

(A certificate signed by an authorised officer clarifying the position at sl no. (1) to (3) above may be insisted upon)

4. Whether the state is liable to pay additional taxes/duties/ levies during the proposed extension period.
5. Whether delay in supply has been willful on the part of the supplier.
6. Whether option of short closure of Supply Order has been considered.
7. Whether the contract is in the nature of a developmental order.
8. Whether delay has been caused by factors where the purchaser has any obligation such as providing import licence, materials or facilities etc for production.
9. If the firm's request for DP extension is due to force majeure clause, it needs to be verified that this clause is included in the supply order.
10. Whether a specific request from the firm has been received in advance. (The sanction for DP extension should be issued at least one week before the expiry of the DP).
11. Whether the difficulties expressed by the firm are genuine.
12. The extension of delivery period can be granted with or without LD. If the contractor/supplier is held responsible for the cause of delay, LD as per Supply Order @ 0.5% per week or part thereof of the value of items not supplied by the firm subject to a maximum of 5% value of undelivered goods can be imposed. But in cases where delay in delivery is due to reasons not within the control of the supplier or the supplier cannot be held responsible for the delay in delivery, waiver of LD can be considered recording adequate justifications thereof.

5.7.2 Invoking of Option clause

Where there is an option clause in contract for ordering additional quantity not exceeding 50% of the original quantity at the same rates within the validity of the original contract or 50% of the balance quantity during extended delivery period, it needs to be ensured before according concurrence that the following conditions are met:

- a. There is no downward trend in the prices of stores, as assessed obtaining budgetary quotations/surveying the market conditions.
- b. There is urgency of the stores from the user.
- c. Original supply order had been placed on a competitive bidding and rates accepted therein are competitive and reasonable.

(A certificate incorporating sl no(a) to (c) be taken from the user.)

- d. Option clause is to be exercised as per original terms and conditions

of the contract, during the currency of the contract.

- e. It is also to be ensured that the value of original supply order together with value of supply order proposed for additional 50% of the original quantity falls within the financial powers of the original CFA. In case the total value exceeds the laid down financial powers of CFA, the sanction of expenditure is required to be obtained from next higher authority

5.7.3 Risk purchase

It is to be ensured that the following conditions are met :

1. Risk purchase order is issued only after cancellation of the order on the defaulting firm. Invitation to tender may be issued in advance but the tender in response thereto should be received and opened only after cancellation of the contract.
2. The risk purchase contract should be on the basis of same terms and conditions, especially specifications, but need not conform to the same delivery period. No special assistance is provided to the new supplier which may have a repercussion on price. The general principle is that terms and conditions of the new contract should not be more liberal than those governing the old contract.
3. As far as practicable risk purchase should be made on Open Tender basis. However, limited tender may be resorted to under special circumstances, which should be clearly enumerated, but in that event all the known suppliers should be included within the scope of the enquiry. It may also be seen that the defaulting firm is included for floating TE in both the cases. The tender notice in case of 'Open Tender' and tender papers in case of limited tender enquiry should be sent to the defaulting unit under Registered cover, Acknowledgment Due.
4. The executive authorities may be advised that extra expenditure involved in risk purchase should be computed and notice for recovery in standard form served on the firm after risk purchase is completed. They may also be advised to withhold payment to the firm to the extent of the Government demand and in case recovery of the amount in the normal course is impossible, they be advised to examine the case in consultation with Min of Law as regards the advisability of referring it for Arbitration.

5.7.4 Amendments, short closure and cancellation

All amendments, short closure and cancellation of the contracts need to be undertaken with the prior concurrence of IFA. As such, while concurring the proposal for an amendment/short closure and cancellation, the following checks are to be carried out by the IFA:-

1. Whether either side has requested for such a change and the same is acceptable to either side. All amendments, short closure and cancellation of the contracts are to be processed by examining each proposal on merit.
2. Whether in cases where contract rates are already sanctioned, the same are not proposed for increase by the same CFA but by the authority next higher to the one which sanctioned the contract.
3. Whether cases of enhancement of contract rates during pendency of contract due to increase of custom duty, excise duty, statutory duties and taxes, freight, insurance are examined with reference to Government notification/documentary evidence and dates of their coming into effect. Enhancement in such cases can be granted by the same authority.
4. Whether in case of re-fixation of D P, increase on these grounds is proposed to be approved by the same authority which sanctioned the original contract. It may also be ensured that during extended period of DP, such increases are not to be allowed.
5. Where provision exists in the contract for enhancement of contract rates under specified circumstances, it may be seen whether enhancement of contract rates is proposed for approval by the authority who has sanctioned the original contract.(In such cases enhancement of contract rates can be allowed by the same CFA who sanctioned the original contract.)
6. Whether modifications in the conditions of an existing contract which do not involve an enhancement of the contract rates are proposed to be sanctioned by the CFA of the existing contract provided no extra expense to the State is involved and both parties to the contract agree in writing. Both parties to the contract must sign all amendments. (In such cases modifications can be allowed by the CFA of the existing contract.)
7. Whether proposal for acceptance of short supply is for a quantity exceeding 5%.(Short supply up to a limit of 5% quantity on order without reference to the indenter (CFA) may be accepted which should not be held to be a modification of contract.)

Chapter 6

MAJOR TYPES OF PROPOSALS AND THEIR SCRUTINY

6.1 DIRECT PURCHASE ORDER (DPO)

Powers for DPO have been vested with VCAS / DCAS /AOM /AOC-in-C / upto Rs.15 lakhs as per MOD letter no. Air HQ/95378/1/FinP/2431/US(RC)/Air-II/06 dated 14 July 2006 These powers can be exercised only with the concurrence of IFA.

6.1.1 Direct purchase is resorted to for stocking up of items to SSF level. Special review is carried out in cases wherein stock falls below SSF level, by the Unit / Depot. Special review statement along with source of supply estimated cost etc. is recommended by Command HQrs and forwarded to IFA for concurrence.

6.1.2 After concurrence of IFA and CFA further procurement action is carried out by the Depot concerned duly associating the depot IFA in Tender Enquiry, selection of source, TPC etc.(Please also see checklist to Schedule XII R).

6.2 REPAIR & MANUFACTURE SUPPLY ORDERS (RMSOs):

IAF is authorized to place directly on HAL, order for supply, repair, overhaul, modification etc of Aircrafts, Aero Engines, their components and accessories and other Air Force Technical equipments which HAL has agreed to manufacture/ overhaul or obtain from abroad and supply to IAF.

Scope of service to be availed from HAL. As per GOI letter No. Air Hq/61274/65/LR/D (Air - I) II/USD (Air - I) dt. 04.01.2000 the following services are to be availed from HAL.

- i. Repair and overhaul of AF equipment.
- ii. Manufacture and supply of AF equipment
- iii. Disassembly work of Major AF Equipment prior to repair or overhaul.
- iv. Inspection, Bench check, rectification and defect investigation of Aircraft system and equipment if no such facilities exist with IAF.

Authorities competent to place RMSOs are mentioned in Schedule XII (A).

6.2.1 **Financial Scrutiny of RMSOs by IFAs**

IFA should ensure reasonability of rates and of observance of commercial terms and conditions in respect of supplies/ services from HAL to ensure maximum value for money. MOD letter no. MOD(FIN)- 107/EP/HAL/AF/ 92-95 Dt: 24/8/95 has clearly laid down various guidelines on pricing policy in respect of supplies and services provided by HAL to IFA and basis of determining reasonability of rates and other commercial terms and conditions.

6.2.2 **RMSO is scrutinized by IFA to see that**

- 1) It is prepared and placed as per leaflet 21 of IAP 1541.
- 2) PR/SR and SOR is attached with RMSO for proposals other than repair, overhaul, calibration defect investigation rectification, Bench check inspection, disassembly work for which quantum of work and financial value are not known till the job is completed.
- 3) IFA should ensure the reasonability of rates by calling for cost break-up, material, labour, overheads, percentage of profit etc. HAL will justify the material required with reference to
 - I. High value items involved in the product based on bills of materials.
 - II. Rejection based on past trend.
 - III. Base price based on latest procurement price updated to base year.
 - IV. Other charges such as custom duty, sales tax wherever applicable, freight, insurance, storage, handling redundancy warranty etc.
 - V. Escalation, if any
 - VI. Exchange rate variation, if any
- 4) In case of bought out item, both indigenous & imported, reasonability of rates is to be determined by IFA with regard to source of supply, handling charges and departmental charges etc. original invoice of the OEM is to be called for while submitting the bill.
- 5) Wherever, rates are not considered reasonable, price negotiation may be conducted by a committee comprising, amongst others, IFA to assess the reasonability of rates and to ensure maximum value for money.
- 6) Commercial terms and conditions as per as standard contract for

regulating supplies from HAL, including appropriate provision for warranty, liquidated damages, and long term product support is to be ensured by IFA . Further, distinct contractual terms and conditions should be ensured for manufacturing, overhaul, and RMSO, outstation jobs and developmental orders placed on HAL.

- 7) PR/SOR are technically vetted by technical officer
- 8) Any addition, alteration scoring has been attested by the authorized officer.
- 9) Prior concurrence of IFA is required to be obtained for any deviation to be effected for quantity, unit price, change of part number, total cost, extension of delivery schedule in respect of cases, already concurred by IFA.

6.2.3 Pricing of RMSO:

1. For small and medium value items, valued at Rs. 10 lakhs and below , and annual price catalogue approved by the MOD is to be supplied by HAL.
2. For items which are priced as per fixed price quotations, the RMSO will be priced as per last approved FPQ duly escalated as per price variation formula applicable.
3. For cost plus jobs, pricing will be on cost plus basis.
4. For bought out items, pricing would be as per budgetary quotes given by M/s HAL. However, payment would be based on foreign invoice, freight charges, insurance, etc. No profit is admissible on such items.

6.2.3.1 Paying Authority

DCDA / AO DAD HAL makes payment for RMSO placed on HAL. The funds for RMSO are centrally controlled by Directorate of Financial Planning Air HQrs.

6.2.4 Payment terms of RMSO

Where delivery schedule is within 12 months 65% of payment on approved Fixed Price Quotation (FPQ) made at first stage 30% on acceptance by Chief Resident Inspector 5% on receipt by the Consignee.

6.2.4.1 Where delivery schedule is beyond 12 months 40% payment made on first stage. 30% payment paid as per approved FPQ within 6 months before delivery schedule. Balance 30% on supply of item.

6.2.4.2 **All other points expounded earlier for Indents will apply *mutatis mutandis* to RMSOs.**

6.3 Local Report & Manufacture Supply Orders (LRMSO)

LRMSOs are local RMSOs placed by depot concerned, with concurrence of Dy.IFA concerned. Incase of urgent requirement for clearing AOG and other urgent requirement, depots are authorised to take written requisition to be followed by with covering RMSO order within a period of one month (Government of India letter dt: 4/1/00)

(Please also refer to the Checklist to Schedule XII)

6.4 LM (Local Manufacture)

HQ MC undertakes manufacture and supply of Air Force technical equipment for which production capacity at BRDs exists or can be conveniently set up.

6.4.1 In order to ascertain whether a BRD has the capacity to undertake the manufacture in quantity and priority as required, a proforma for 'Investigation for Manufacture' is raised by the concerned Directorate/Cell. An Investigation proforma is to be raised for any item which in the opinion of the Specialist officer can be manufactured at BRDs.

6.4.2 For indicating the quantity required, the Sponsoring Cells are to forecast and give consolidated future requirements of the item for the authorised MPE period as it is not economical to manufacture items of equipment in piecemeal. The proforma may, however, be raised for meeting urgent and inescapable commitments arising out of formation of new units or other operational requirements but this should be followed by an Investigation proforma for bulk requirements determined by provisioning review.

(Please consult Leaflet no 31 to IAP-1541 for further details).

6.5 LOCAL PURCHASE CASES:

6.5.1 Scope

All purchases under various schedules except Sch-XII & Sch- XVIII; are covered under Local Purchase.

- a) Contingent Expenditure
- b) Purchase of items authorised under ATG / MTG vide letter AirHQ/185178/Trg/ 931 /US-1/D(Air-IV) dt 28.03.02
- c) Local purchase of stores to meet urgent requirement due to non-availability in EDs / BRDs
- d) I. T items
- e) Local service contract such as purchase of condiments, painting service.
- f) Procurement of stores against sanction by MOD/ Air HQrs
- g) Development order,
- h) Local repair orders / works.

6.5.2 Scrutiny

The following points are to be seen while concurring local purchase cases:

- i) The items are authorised Air Force Equipment.
- ii) Items are urgently required.
- iii) Items are not available in unit.
- iv) Items cannot be obtained expeditiously from normal source of supply
- v) Local purchase under Schedule VIII is resorted to in exceptional cases and not as a matter of routine.
- vi) Purchase is resorted to within the financial powers.
- vii) Quotations as required are called for.
- viii) If the items are required for stock purpose, then they are not to exceed three months requirements
- ix) Scale laid down is not exceeded.
- x) Local purchase order has not been split up to avoid necessity of obtaining sanction from higher authority.
- xi) Where higher rates are accepted, reasons in detail to be given.
- xii) Sanction from higher authority is obtained where such sanction is required to be obtained whenever it exceeds the local commanders powers.

- xiii) Plant & Machinery irrespective of the value should not be procured under LP.

6.6 DEVELOPMENT ORDERS: TENDERING & CONTRACTING PROCEDURES

MOD has delegated financial powers to BRDs and HQMC for indigenisation and development of sources. The exercise of these delegated powers presumably entails observance of certain laid down tendering/ procurement procedures.

The following guidelines may be kept in view while dealing with development orders.

- 1) All tender-openings should be conducted by a Board of Officers, including an Accounts/ finance representative i.e rep of Dy.IFA at unit level. Necessary and specific information both technical and commercial bids, as to attending tender-opening by firms should be clearly given in T.E.
- 2) Dy. IFA should invariably vet C.S.T. before according sanction by CFA to ensure objective preparation of ranking statement. All price bids opened should be ranked.
- 3) After opening of tenders, CST should be prepared within 7 days from the date of opening of tenders. It is observed in case of some BRDs that there has been inordinate delay in preparation of CST after opening of tenders.
- 4) All development orders exceeding Rs.1.Lakh should be deliberated in a TPC including Dy.IFA. If the rate for future requirement is decided at the time of Development order , Dy.IFA is to be associated in all cases irrespective of financial value.
- 5) In cases, where the estimated cost of developments expenditure proposal exceeds local financial powers of AOC, A.I.P. of appropriate CFA i.e. HQMC / Air HQrs and respective IFAs should be obtained before initiating tendering action by sending a comprehensive S.O.C. (statement of case) well in advance to HQMC / Air HQrs, as the case may be.
- 6) In cases of development proposals exceeding financial powers of AOC, Dy.IFA, being the local representative of IFA, is to be involved/ associated in tendering, i.e. issue of tenders, opening of tenders, vetting of C.S.T. etc. though the concurrence will be accorded by concerned IFA.

- 7) In all development orders, two-bid system, calling separate technical and commercial bids should be adopted. Price bids of only technically acceptable offers should be opened as per CVC guidelines.
- 8) In two-bid system where followed, technical evaluation should be done by Committee i.e T.E.C. and minutes of such meetings should be maintained, where applicable, duly recording the views of vendors. Individual technical officers should not evaluate it. Members of such T.E.C. should be notified by HQMC to ensure objective technical evaluation.
The basis of determining L1, whether it is only on the present order value or including future requirement should be clearly spelt out in Tender Enquiry to ensure transparency in tendering and decision-making.
Further, likely future requirement should also be specified in tender enquiry
- 9) If the future unit cost is not decided at the time of development orders, when bulk orders are issued after development and approval and certification of the prototype reasonability of rates shall be seen by obtaining cost break-up, such as machining time, material cost, profit, etc.

6.7 SCRUTINY OF CIVIL WORK CASES

6.7.1 Introduction:

- a) IFA system in works cases was introduced by issuing amendment to Defence Works Procedure, 1986 vide Government of India MOD letter no 3(7)/93/D(works) dt 26.08.1998. IFA(Air Hqrs) will accord financial concurrence in respect of cases falling within the financial powers of Air Head Quarter and similarly IFAs posted in the Commands will accord financial concurrence in respect of cases falling within the financial powers of Command CFAs.
- b) Each Command prepares a list of projects/works alongwith Rough indication cost of each work and forward it to Air Head quarters for scrutiny and inclusion in the Capital Works Programme (CWP) or MWP (Major works Programme) The same is then submitted to Ministry of Defence for approval with the concurrence of Ministry of Defence (Finance). The approved CWP/MWP will be

communicated to Air Headquarters and Command including their IFAs. The Air Head quarters with the approval MOD&MOD(Fin) will also communicate the maximum financial ceiling upto which works within the approved CWP could be sanctioned by the various CFAs with the concurrence of their IFAs. The CFAs and their IFAs will ensure that only those works, which are included in approved CWP/MWP, are processed for issuing Administrative Approval.

6.7.2 How Concurrence is accorded: Generally there will be four main stages in a project for Original work i.e Acceptance of Necessity, Administrative Approval, release of funds and technical sanction.

a) In Air Force Acceptance of Necessity and Administrative approval is done in two distinct stages since vetting of approximate estimates is to be done by the concerned Regional Controller. First the cases will be processed from necessity angle. If reasons given in the SOC for the proposed work is justified, the case is concurred in from necessity angle, (if not the same is returned with queries) and returned to executive authorities for obtaining AON sanction from the CFA and onward transmission to concerned Regional Controller for vetting of approximate estimates. After the approximate estimates are vetted, the case is again submitted to IFA for according financial concurrence for issuing administrative approval.

b) There could be occasions where in the proposal submitted for AON concurrence, the amounts indicated in the approved CWP and RIC (Rough Indication Cost) amount may vary. In such circumstances the case can be processed for concurrence and there is no need for insisting for revised approval from MOD. Similarly there could be occasion where scope of work indicated in the CWP /MWP is reduced. Even then there is no need for insisting for revised approval from MOD. However reasons/justifications can be ascertained from executive authorities if considered necessary.

(Refer CGDA Clarification issued vide their letter no 18184/AT-X/II dt 16.03.99)

In a case where the project includes both the authorised and special items of work the criteria for determination of CFA shall not be the financial powers for the normal item of works alone. In such a case therefore, if the estimated cost of the total of the special items of works exceeds the financial powers of the CFA for

those items the administrative approval shall be issued by the CFA under whose power the special items fall. (Auth Note 3 under rule 15 of DWP)

6.7.3 The following points may be kept in view while processing the civil works cases:

1. Check whether Board Proceedings in terms of necessity/requirement of the proposed works i.e. building work (OTM/married) and external work are placed on file.
2. Statement of case justifying the proposed work is submitted.
3. The proposed work is included in the CWP approved by MOD.
4. Necessary Justification for the proposed work is given.
5. Justification for special items is given.
6. Justification for external services like roads and paths, external electrification, sewage disposal, compound wall etc. is given.
7. Accommodation statement Part I & II with Board proceedings is submitted.
8. Particulars of building if any to be demolished is given.
9. Whether land is available for the purpose or is to be acquired needs to be indicated.
10. The scales adopted are correct and supported by authority.
11. The necessity for the work is accepted in principle by CFA.
12. In case the proposal contains both authorised and special work, both the total cost and cost of special work are within the financial powers of the Competent Financial Authorities
13. Retrieval of material, if any, from demolition of building is properly accounted for.
14. The furniture provided is as per the latest scales.
15. The break-up of furniture for different categories of building is given.

Chapter 7

INDIGENISATION

7.1 INTRODUCTION

Indian Air Force maintains a huge inventory of weapon systems procured from various countries across the world. Maintenance of this inventory involves replacement and repair of components, modules, sub-assemblies and major assemblies. The ever-increasing costs of imports and unreliability of foreign vendors in providing maintenance support has underlined the need for indigenisation. Apart from self-reliance and reduced inventories through shorter supply chain, the process helps in absorption of the current technology by the indigenous industry and has long-term spin-offs for the nation.

7.2 WHAT IS INDIGENISATION?

Manual of Indigenisation-2005 issued by HQ Maintenance Command defines indigenisation as "**Ingenious** application of available technology in developing **import substitutes** through a **reliable source** of supply." The term 'indigenisation' would cover indigenous development, indigenous repair / reclamation of unserviceable and rejected items, indigenous / third country substitutions (without involving payment in foreign exchange), efforts towards re-engineering/re-designing of circuits, all activities related with specifications generation, testing, manufacturing of special tooling for development / testing of spares for the first time development, alternate source development and revalidation. Apart from the import substitution, indigenization also aims at ab-initio design, production of systems and technology improvements.

7.3 SOURCES OF INDIGENISATION

The development of airborne equipment, raw materials, processes and AGS parts can be undertaken by BRDs in-house or through any other agency i.e. Public Sector, Private Sector and Government Agencies etc. As per Office Memorandum No.7(67)/73/D(S-II) dated 13 Mar 90 issued by Department of Defence Production & Supplies, "Indigenisation of a defence store is not complete until at least two sources are fully developed which would ensure not only price competition but also avert Government's dependence of any single source." The following points are to be noted about alternate source development:-

- (a) Any BRD/HAL/Defence PSU that has indigenized the item in-house, but is not able to supply the required quantity when required, is not to be considered as source. However, usefulness of developing alternate source for very complex items developed from HAL/Defence PSU may be deliberated in light of development lead time, infrastructure/expertise required for testing/type certification and also the expenditure involved. Similarly, where requirements are very small, development of alternate source will not have any meaning since one source will eventually dry up. Decision needs to be taken on case to case basis on the subject by CFA in consultation with local IFA and the same be brought out while forwarding the case to higher CFAs.
- (b) The bulk supply rates for complex/high value items, indigenized by BRDs through vendors with very limited information available in the beginning, tend to be high. Therefore, after the prototype development, once the design and test schedule are frozen and the bill of material including the extent of COTS & MiL grade components used is known, (since they have a huge price difference), cost of components given in the break down cost be duly verified with the prototypes supplied and if felt necessary, reduction in price insisted.

7.4 INDIGENISATION ORGANISATION

The responsibility of formulating and implementation of indigenisation plan of the Air Force in consonance with the broad policies of Air HQs rests with HQ MC. A three level structure, as given below, has been organised in the IAF to pursue the task of indigenous development of spares.

7.4.1 Directorate of Indigenisation at Air HQ

Directorate of Indigenisation (Dir (Indg)) working under ACAS (MP) looks after the broad policies and pursues indigenisation cases / higher level coordination with PSUs, CEMILAC and other agencies on behalf of the IAF. Financial sanctions for cases beyond powers of HQ MC for indigenisation effort are progressed by the Directorate.

7.4.2 Command Indigenisation Cell at HQ MC

Command Indigenisation Cell at HQ MC Nagpur exercises functional control and coordinates / directs the indigenisation effort at each BRD. The Cell

provides all support to BRDs for smooth implementation of their indigenisation plan. The Cell processes all cases within financial powers of HQMC, takes up with Air HQs for obtaining all financial sanctions for those beyond HQ MC powers and interacts with other agencies for help and guidance required by Indg Sqns / Flts for accomplishing their indigenisation tasks. It also provides a platform for and initiates dialogue with industry for exploring more and more capable vendors specially for items considered technically non feasible by BRDs. Approved vendor lists are required to be prepared by this Cell and updated regularly. It also maintains a centralized data bank on all indigenized items.

7.4.3 Indigenisation Squadrons / Flights at BRDs

All BRDs have an Indigenisation Sqn/Flt (earlier Indigenous Substitution Cells) for executing the assigned indigenisation task. Indg Sqns/Flts are the single window for all indigenisation activities and ensure availability of samples, technical specifications, drawings and relevant design data in respect of items taken up for indigenous development. They also initiate the requests for proposals (RFPs), process all financial and technical approvals, arrange for functional testing of prototypes and promulgate type approval. They are the single point of contact for all vendors.

7.5 AIRWORTHINESS APPROVAL

Airworthiness is the continued capability of the aircraft/equipment to perform satisfactorily and fulfill mission requirements, throughout the specified life in the prevailing environments with acceptable levels of safety and reliability. These levels are to be mutually agreed to between users and the designers.

7.5.1 All airborne items need to be certified and approved for airworthiness before use on military aircraft. The authority for approval, however, differs for different items. In general, where an item of raw material, AGS parts, airborne equipment or component is manufactured to defined drawings, material specification and processes, and approval by certifying Authorities elsewhere are available, a fresh Type Approval may not be necessary. If the item cannot be produced exactly to the specification, the approval for airworthiness has to be obtained. In cases where the item developed would not affect safety, reliability, maintenance, interchangeability and operational effectiveness, the BRDs may, permit the use of such items on aircraft after approval by locally constituted Self

Reliance Committees. Similar will be the treatment to standard parts indigenized without any deviations from standards. This approval by SRCs will be referred to as '**Local Certification**'. All other items will need to be approved by CEMILAC/RCMAs.

7.5.2 For flight/mission critical items(parts whose failure can result in structural collapse, loss of control, failure of motive power, inability to operate system essential for safety or operational function of aircraft, incapacitating injury to any occupant or unacceptable un-serviceability or maintainability),a certificate known as **Type Approval** is issued by the RD, RCMA /CE, CEMILAC to the effect that the store under reference meets all design specifications and test requirements laid down by CEMILAC. The type approval is issued after the BRD/ vendor submits a full type record with all relevant documents, to the satisfaction of CEMILAC.

7.5.3 A provisional clearance could be issued by the approving authority (SRC / one of the RCMAs) for a limited period, pending issue of final approval by it. A provisional clearance is issued to the effect that the store under development meets all the laid down specifications and test requirements with the exceptions stated there in. The provisional clearance is issued because documentation is pending, or because some of the long life cycle tests (such as fatigue tests) are pending or because of the necessity to obtain some flight tests results, which cannot be obtained from ground tests. There is no difference between a provisional clearance and a type approval as far as the safety of the aircraft or airborne store is concerned. Until specifically prohibited or given for certain specified flying hours, bulk procurement could be resorted to on issue of the provisional clearance.

7.6 CRITERIA FOR ASSESSING FEASIBILITY

7.6.1 The indigenisation requirements of the Depot are to be examined by the Indg Sqns / Flts for feasibility as per the following criteria:-

(a) **Technical Feasibility.**

- (i) Complexity of the item from manufacturing angle and availability of technology required for manufacture.
- (ii) Criticality of the item from Flight / Mission Safety aspects and extent / feasibility of testing.

- (iii) Availability / possibility of material substitution with approved equivalent grade required for manufacture.
- (iv) Availability of test facilities for airworthiness and certification.

(b) **Economic Feasibility.**

- (i) Economic viability in terms of quantities required vis-à-vis the developmental expenditure involved.
- (ii) Cost of imports.
- (iii) Requirements being recurring / non-recurring.
- (iv) Availability of stocks.
- (v) Supply scenario from OEM
- (vi) Down time cost / effect of non-availability of spares on fleet availability / reliability.

7.6.2 **Exceptions to the Economic Feasibility Criterion**

There may be occasions when items may appear to be economically non-viable due to:-

- (a) MPE requirements being too small in number.
- (b) Development costs, being too high, may not present an encouraging picture.

Such cases would need to be examined in the light of :-

- (a) Items being available from foreign vendors or not.
- (b) Economic viability of procuring all time (LOT) requirements in one go.

The Indigenisation process is normally initiated when at least one source has indicated feasibility. However, many a times, the process may be initiated for generation of specifications/development of drawing so that feasibility can be assessed.

In specific cases where no quotations are received from foreign vendors against import inquiries raised by Air HQs, it may become imperative to include these items in the indigenisation task irrespective of the high cost or small order quantities.

7.6.3 Review of Techno/Economic Feasibility

The technologies available with the Depots / trade are constantly getting upgraded/ improved. Items appearing in non-feasible lists at one point in time due to technological reasons could become feasible with passage of time. Therefore, the non-feasible lists of requirements pertaining to previous years are to be reviewed annually, before start of PR cycle, to identify items that may now be feasible to indigenise. Also, items considered economically non-viable at one point of time may have to be indigenised due to their non-availability / enhanced prices from foreign vendors.

In accordance with current policy laid down vide HQ MC letter MC/15153/Lgs P& C dated 13 Dec 99, Depots are to render a certificate at the end of SOR for having checked the indigenised database before recommending spares for import. All BRDs and EDs are, for this purpose, to maintain the 'Master Indigenisation Data' of items already indigenised by all BRDs / agencies

7.7 ITEMS/RANGES COVERED BY INDIGENISATION

The items covered under indigenisation are as follows:-

- (a) Indigenisation of all spares required by the BRD.
- (b) Indigenisation of all spares for which the BRD is the provisioning agency.
- (c) Indigenisation of all spares which may be tasked to the Depot by HQMC / Air HQ specifically viz task of indigenisation of ARS / other 1st and 2nd line requirements of different fleet to various BRDs.
- (d) Spares requested to be indigenised by other Depots by virtue of availability of expertise / infrastructure for specifications generation /development / testing / approval.
- (e) All requirements of spares of ASVs, specialist MT, TTGE, GSE and consumables which is otherwise required to be imported either directly or indirectly (viz. PSUs importing spares and supplying to IAF).
- (f) Only maintenance requirements are covered and the import of capital goods are not covered.

7.8 PRIORITISATION OF REQUIREMENTS

In order to avoid sinking of scarce resources in developing/producing items not required in immediate future, it would be necessary to prioritise the indigenisation requirements for effective use of our resources. The indigenisation requirements for the Depot should be prioritised in the order given below :-

- (a) Items on AOGs / PHUs with special thrust for repeated cases.
- (b) ARS spares.
- (c) Mandatory replacement spares.
- (d) Testers and other TTGE / spares resulting in Concessions affecting Flight Safety
- (e) Spares shortfall for next year's production task (MCM).
- (f) Non-mandatory spares with consumption of 0.5 & above.
- (g) Other TTGE, Test Rigs & GSE.

7.8.1 For the items within category (b) to (g), graded priority is to be accorded; higher for items where stocks held are nil / very low and lower priority where stocks held are near/as per MPE.

7.9 REVALIDATION

Airworthiness approval once issued is valid for a period of three years after which it will be required to be revalidated. However, all standard items developed without any deviation from standards and items developed by BRDs/PSUs not requiring any special tooling (press forms, dies, punches and other forming tools) may be approved for five years. In the process of revalidation, requirement of developing fresh prototypes and extent of testing is to be decided on case to case basis.

7.9.1 The process of revalidation, in many cases will require extensive efforts (development of fresh proto types and subjecting them to extensive testing) and thus, incurring huge expenditure. Besides, some of the BRDs have been indigenising since long and some of the spares developed may not be required any longer since the weapon system may have become obsolete. At the same time, many of the standard parts from these may still be required for current weapon systems.

7.9.2 Items will be revalidated for another period of three / five years (as per the original duration of validity). QA Sqns / User section have to ensure that only those items get revalidated which have not had any failures in the field. For items with confirmed defect during defect investigation, revalidation is to be granted only after satisfactory results have been obtained during the re-testing of fresh proto types.

7.10 EXERCISING OF FINANCIAL POWERS

The financial powers have been laid down in Schedule I(E) to FR Appendix II Part III-Air Force under Rule 58(c) which can be used for the following occasions:-

- (a) For payment of development cost for indigenous development of spares required by / tasked to the BRDs.
- (b) Cost for development of technology / processes for indigenous repairs / reclamations (Repair cost of prototypes in case indigenous repairs are being developed from trade).
- (c) Cost of procurements of standards (Mil standards, BIS standards and Russian standards including cost of drawings available at HAL / PSUs).
- (d) Cost of carrying out special treatments / protective coatings / part processes viz. CNC wire cutting, swaging, spot welding, cold temp treatment, stress relieving treatment or any other process for the prototypes being developed.
- (e) Cost for all the above activities for alternate source development also.
- (f) Cost of procuring proto-types during revalidation.

7.11 BUDGETARY PROVISIONS

The expenditure will be incurred from Revenue Major Head 2078, Minor Head 110. The details of the code heads are as follows:-

- (a) For all the activities from HAL, code head 751/01(Ind) will be used.
- (b) For all the activities from other PSUs, DRDO, OFs and Govt agencies, code head 752/01(Ind) will be used.
- (c) For all the activities from agencies other than HAL, other PSUs and Govt agencies, code head 753/01(Ind) will be used.

Based upon projections by BRDs, consolidated budget projection will be made by HQ MC to D Fin P. Budgetary estimates are to be forwarded by the units for the ensuing financial year along with other LCHs. The projection is to be based

on actual requirement of expenditure and future forecasts requirements. Irrespective of the contract concluding authority, it is the units that are to forward the budgetary estimates to the controlling command HQ. A broad prioritization plan will be submitted along with PR/PRE/RE/MA (formats placed at **Appendix 'H'** to Manual of Indigenisation-2005) and forecast estimates seeking allotment of funds.

7.11.1 The detailed checklist for dealing with the cases of indigenisation is available under Schedule I(E). For detailed reading, Manual of Indigenisation-2005 published by HQ MC may be consulted.

Chapter 8

INTEGRATED MATERIAL MANAGEMENT ON LINE SYSTEM (IMMOLS)

8.1 OBJECTIVES

8.1.1 Project IMMOLS (Integrated Material Management On Line System) was conceptualised to develop an on-line materials management system with a view to reducing non-availability of items/spares leading to non-availability of weapon systems and reducing inventory costs by minimizing non-moving inventory. Complexity of logistics management in the IAF emanates from the geographical diversity of weapon system sites and technological diversity of weapon systems and spares. High costs and high lead times of military aviation standard items/spares further enhance the complexity of logistics management.

8.1.2 IMMOLS is an on-line system which would make all items/spares available in units i.e. weapon system sites, ASPs, EDs and BRDs visible to maintenance/logistics hierarchy. The objective is to ensure that no weapon system is awaiting operationalisation while relevant item or spare is available within the IAF at some unknown location.

8.1.3 IMMOLS aims at providing a solution for logistics management and has all the four requisite functions i.e. demand, supply, subsidiary or equipment accounting and auditing embedded within it. It would aid in realising the IAF vision of lean and dynamic logistics organisation by embedding the three core concepts viz. total assets visibility, transit asset visibility and auto information triggers.

8.1.4 The two essential prime movers for efficient material management in IAF are the procurement and supply chain management cycle and the repair management cycle. IMMOLS would ensure faster churning of these two cycles.

8.2 PROCESSES INVOLVED

IMMOLS is like an Enterprise resource planning (ERP) system and like any other ERP implementation has to address all issues connected with process integration, information integration and people integration.

8.2.1 IMMOLS as an on-line system spanning right up to the user's end would ensure accurate capture of all necessary data as against the concept of central data entry system, wherein, the data is first captured on forms and then entered centrally. The demands raised by users whether satisfied or not by supply agencies would remain available within the database and may thus form the realistic basis for provisioning. This is considered the paradigm shift from supply based provisioning to demand based provisioning. These two critical factors i.e. visibility of all items/spares across the formations and demand as the basis for provisioning would become the scientific method for successively eliminating the two major drawbacks of manual system i.e. poor forecasting of requirements and poor exploitation of non-moving inventory.

8.2.2 All items of IAF inventory have been allotted a unique GIG(Global Index Gallery)No by Air HQ for the purpose of standardisation of inventory as well as ease of provisioning and procurement. Working Sheet, PR and SOR will be prepared GIG No wise only.

8.2.3 Collection, collation and compilation of data to commence provisioning reviews through IMMOLS poses a significant challenge. This challenge has been addressed by creating ERP like environment through IMMOLS wherein e-vouchers and e-documents reposit necessary data in data tables. Also, potency of the system is used for collection, collation and compilation of data. This strategy relieves PR process from the manual randomness of capture and transcription errors in data.

8.2.4 Initially data is to be captured through data entry mode. The dues-in and dues-out data at present available in the system have also been captured through data entry mode being the first time activity. Due to non-completion of full e-cycle, a facility called 'vetted dues-in' has been provided for in the system. The figures of 'dues-in' once captured in the system, cannot be overwritten/cancelled, therefore the actual 'dues-in' figures obtained from the units are transcribed in the column 'vetted dues-in'. As the system matures, there will be no need to call for information about 'dues-in' from the units and system-generated 'dues-in' can be fully relied upon. The authenticity of 'dues-in' and 'dues-out' data will be established only when the system goes fully online with supply orders being generated by the system and indents placed online.

8.2.5 The system generates 'Net Requirement' based on various formulas which are integrated into the software. However, there is a provision for recording 'Vetted Net Requirement' in the system giving reasons for the same in the 'Remarks' column. 'Vetted Net requirement' is worked out keeping in mind the actual requirement with a view to arresting the chances of over-provisioning. There are instances where the system-generated requirement is moderated while taking the 'Buy' decision to ensure as realistic an assessment as possible.

8.2.6 The software provides for the entire contracting process including placement of the Supply Orders and post contract management to be online. Once the system goes full stream, even payment to the vendors is also envisaged through the system.

Please see Annexure I enclosed for the flowchart of 'Online Approval Process'. Provisioning and Procurement Design' in IMMOLS is given in Annexure II.

8.3 MAJOR FEATURES

The following are the major features of IMMOLS :

1. It would provide real-time information on outstanding AOG demand vs IAF inventory status through its query interfaces and through numerous customised AOG reports designed for the perusal of the top management.
2. IMMOLS provides online bin location and stock status of each and every item. This facility can be utilised for undertaking surprise checks of high value stores and bring in better accountability in the system.
3. IMMOLS application software dynamically consolidates and updates the budget details of all relevant code heads by accessing data from the e-procurement documents generated in the system. This would help top management in efficient budget management.
4. Consequent upon switchover to IMMOLS, AON angle sanctions even where the cases fall within the powers of the lower CFAs will be processed at HQ MC. However, expenditure angle sanctions will be issued by the lower CFAs within their powers. The rationale behind this system is that asset availability with the various units is visible to HQ MC only and not to the units in the field i.e. EDs/BRDs. The proposals beyond the powers of HQ MC will be replicated to Air HQrs on-line for processing at Air HQrs and approval by MOD.

5. An important change in provisioning methodology under IMMOLS is that instead of carrying out the PR (provisioning review) fleet-wise, PRs will now be carried out Provisioning Group-wise. For example, earlier different PRs were coined for different weapon systems but now a single PR will be coined for items common across different weapon systems. This switchover is aimed at checking over-provisioning by linking the assets and dues-in position across various fleets for similar items.
6. There is also a concept of in lieu items in IMMOLS. There may be instances where Item 1 can be procured/issued in lieu of Item 2 but Item 2 cannot be procured/issued in lieu of Item 1 i.e. items are not mutually substitutable. While carrying out the provisioning review, all in lieu items will also be taken into account before SOR is finalized. It will help in checking over-provisioning.

8.4 ROLE OF IFA IN IMMOLS

8.4.1 Para 5.4.2 of DPM-2006 states that in case of AON items where inventories are maintained through automated systems and IFAs have been provided terminal on the same, vetting by IFA will be restricted to quantity vetting only and the same will be done on the automated systems based on data available in such automated systems within five working days for the normal cases and two working days for urgent/operational cases; otherwise the case can be processed for CFA approval. Para 5.15 of DPM-2006 further states that in case an IT based management system is operational in the Department, the IFA is to undertake such vetting on the system itself.

8.4.2 At most of the locations IMMOLS terminals have either been already provided to the IFAs or are likely to be provided shortly. Online financial concurrence may be commenced by the IFAs on receipt of instructions from the CGDA to that effect. Under IMMOLS, IFAs have the option to return the cases with observations in the 'Query' mode or concur them.

8.5 IMMOLS: THE IMPACT

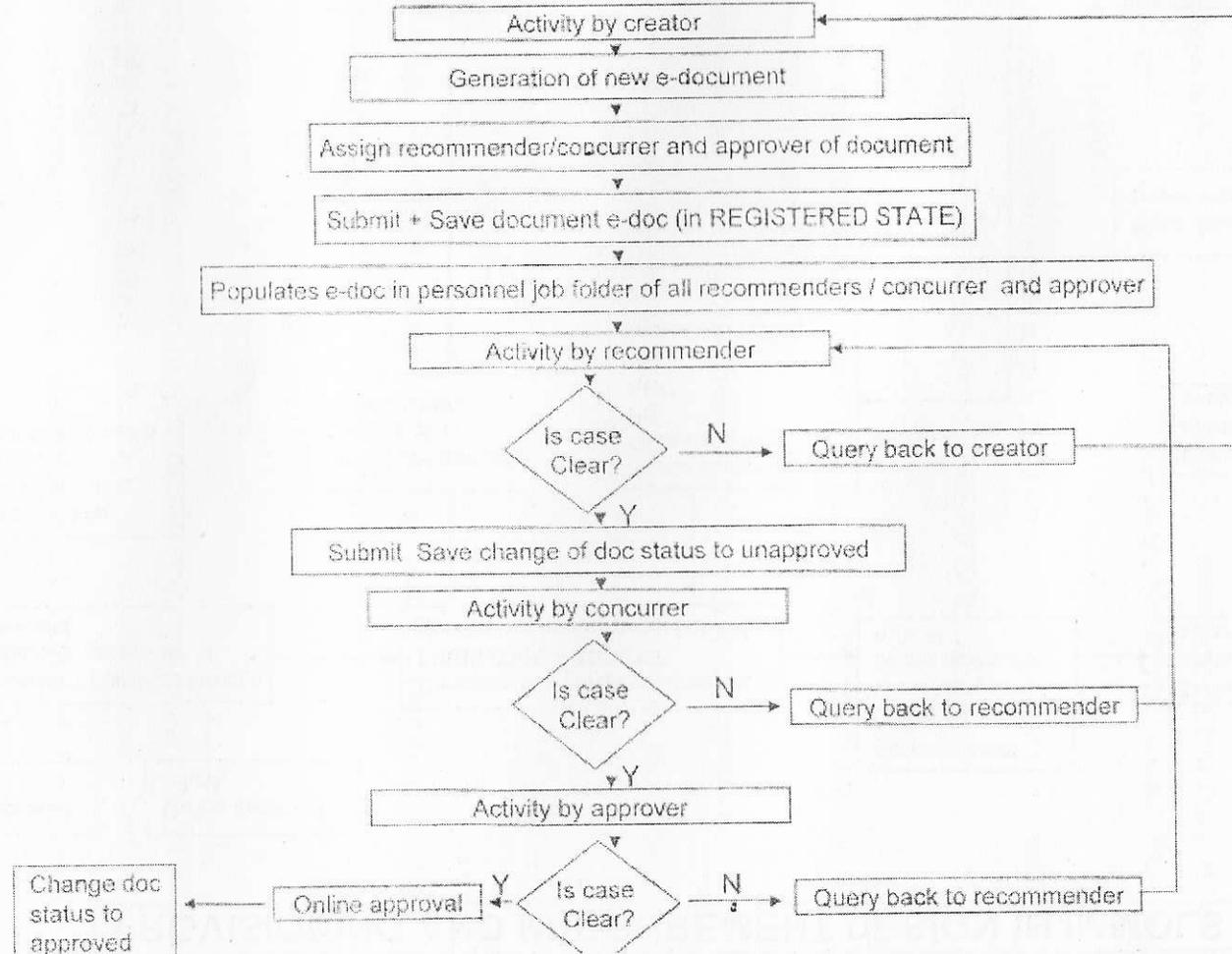
8.5.1 IMMOLS provides visibility of entire IAF assets at Air HQ and HQMC and asset visibility of units to each operational command. This online stock visibility would help instant inter and intra command assets transfers. On-line asset visibility as well as transit asset visibility at all echelons of hierarchy will help top management in decision support and would enhance the exploitation of available

material resources and bring about quantum reduction in down time of weapon systems by enhancing the exploitation of available material resources.

8.5.2 Quality of provisioning data would get a definite boost since it would be based on realistic demand figures and trends. Progressively, IMMOLS would be in a position to provide historical cost of any item/spares without manual intervention/interpretation. This may then become an objective tool for price negotiations at each level of logistics hierarchy.

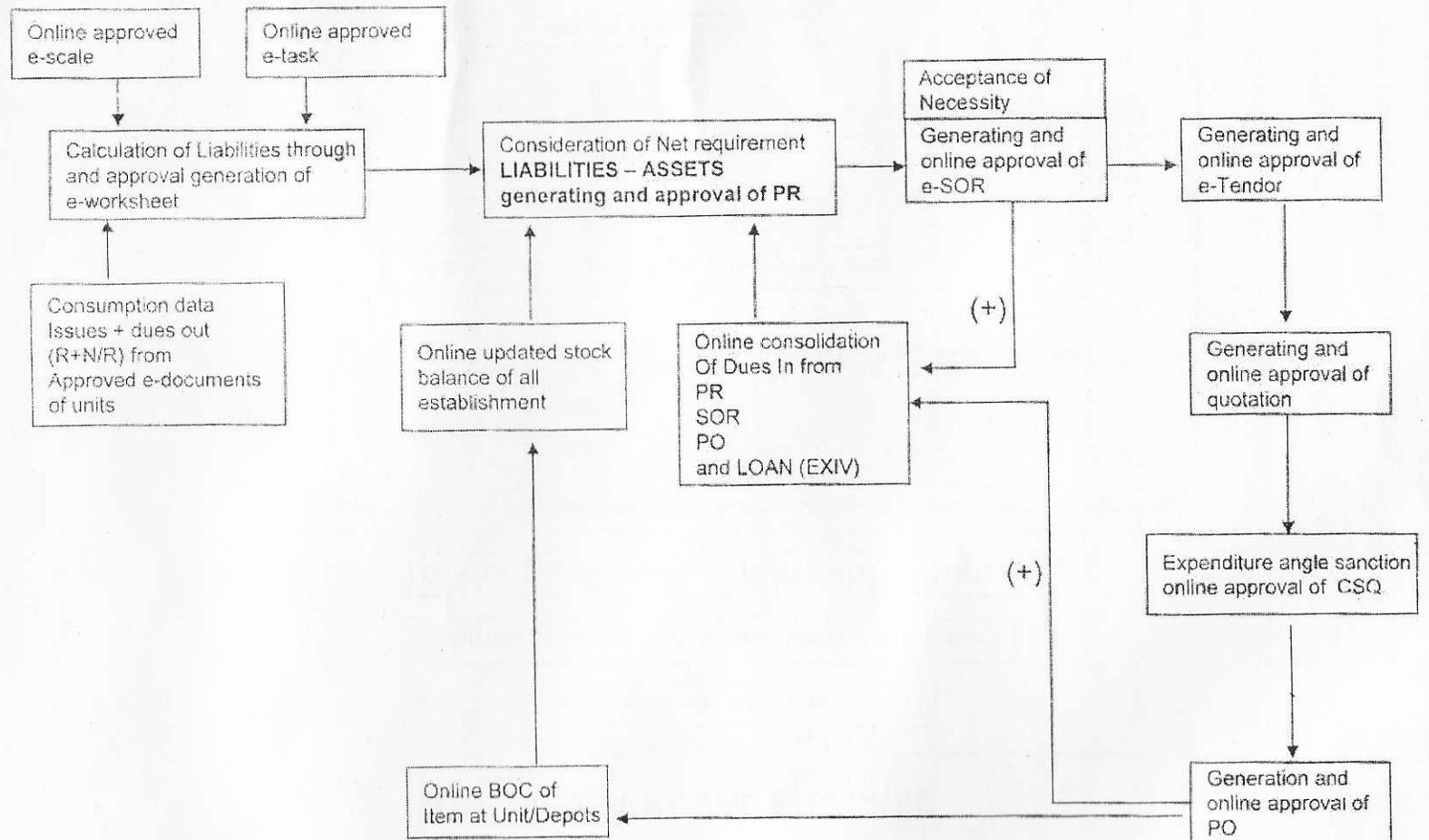
For detailed guidelines, please consult AOL's Task Directive No 1/2006 issued by Air HQrs vide their no Air HQ/61550/44/IMMOLS dated 14-03-2006.

ONLINE APPROVAL PROCESS



04

PROVISIONING AND PROCUREMENT DESIGN IN IMMOLS



Chapter 9

INSPECTION OF FIELD IFAS OFFICES

9.1 INTRODUCTION

Inspection of dedicated IFA offices within the jurisdiction of Command HQ will be carried out by the command IFAs. Inspection of IFAs posted in Main Offices of the PCsDA/CsDA will be carried out by Inspection Teams from Headquarters Offices from Audit Wing. Inspection of nominated IFA below PcsDA and CsDA will be carried out by the officers of concerned Pr.CsDA and CsDA offices.

9.2 INSPECTION PROGRAMME

Inspection programme will be drawn up annually by in the month of March for the inspections to be carried out during the next financial year. A copy of the Inspection Schedule will be sent to PIFA by the IFAs.

9.3 PERIODICITY OF INSPECTION

Command IFAs will inspect dedicated offices within their jurisdiction once in two years. However; it will be preferable to inspect the offices initially every year till the IFA system stabilizes.

9.4 SCOPE OF WORK

- (a) The Inspecting Officers should not carry out a detailed and meticulous audit of all the work done in IFAs offices. The inspection will rather aim at ascertaining through judicious and careful sampling of various items of work in the offices of IFAs to ensure whether (i) prescribed process of financial concurrence cases has been followed correctly and efficiently (ii) no recurring and typical mistakes have occurred over a wide area of work (iii) there is no evidence of faulty supervision or lack of effective supervision at any level; and (iv) if any major weakness in systems or procedure exists in a particular office.
- (b) The Inspecting Officer and the Team members will generally be guided by the Inspection manual (details given in Annexure I & II to this Chapter). The particular items of work or documents to be examined and the exact extent and manner of checks to be exercised will, nevertheless be decided at the discretion of the Inspecting Officer.

However, while inspecting officers may subject any portion of the work selected for sampling to extensive and detailed scrutiny, they should avoid getting involved in trivial details or cases of isolated lapses, which have no significance from the point of the overall working of the office.

9.5 ORGANIZING INSPECTION

Inspection will be carried out personally by the IFA. He will constitute a team of one IDAS officer/AO and one or two AAOs for the purpose. The constitution of the team could be changed depending upon the requirement.

9.5.1 Allocation of Work

The inspection team will work under the direct guidance of the Inspecting Officer who may be leading the team. Before commencement of work in any office, the Inspecting Officer will allocate duties / areas of work to the members of the inspection team.

In addition to Inspection proper as laid down in the Inspection Manual, Inspecting Officer will examine procedures and systems in selected areas at his discretion or as instructed by PIFA.

9.5.2 Preparation and disposal of Inspection Report

- (a) The points arising out of the inspection should be discussed by the head of the team with the IFA concerned and the results communicated to the Inspecting Officer. Inspecting Officer will discuss such of those items, which cannot be satisfactorily settled with the IFA. Suggestions likely to be helpful in the improvement of methods and procedures should also similarly be discussed and the outcome embodied in the report, if necessary.
- (b) The inspection report will be prepared by the inspection team. The inspection report should be clear and concise. The report as far as possible should refer to the relevant rule or order transgressed and mention precisely the nature and extent of transgression.
- (c) The draft inspection report will be shown to and discussed with the IFA before closing the inspection and the result of such discussion indicated suitably in the final report.

- (d) Important points of procedural deficiencies requiring action by the executive authorities should be discussed with the AOC/CO of the unit whom dedicated IFA is providing the cover. In case IFA feels that some points merit attention of the Command HQ, a summary of such points will be forwarded by the IFA to Command HQ.
- (e) A summary of important points may be prepared and rendered to PIFA alongwith the Monthly Activity Report.. Areas requiring changes/modification of procedures, if any, will also be highlighted in the summary.

Chapter - 10

DELEGATION OF ADMINISTRATIVE POWERS TO SERVICE HEADQUARTER AND IFAS ROLE

10.1 A committee was formed under the Chairmanship of the Additional secretary in pursuance of PMO directives to make recommendations for delegation of additional administrative powers to the respective Service Hqrs. After consideration of the recommendations of the Committee the Govt has delegated further administrative powers to the service Hqrs as per MOD No. MoD/IC/1027/32/AS(J)/6864/2006 dated 1/9/2006 vide three Appendices 'A', 'B', and 'C'.

Some of the points to be seen by IFA office during scrutiny of such proposals are listed below:

10.2 Examination of proposals by IFAs - delegated administrative powers- Appx 'A' of MOD letter dated 1st September 2006

It may be seen from **Appx A** that administrative powers mentioned at serial No 1 to 4 ,7 and 15 are to be exercised in consultation with IFA. **The 'checks' with reference to items listed in Appx 'A' to MOD letter dated 1/9/2006 are mentioned below:**

Serial No of Appx 'A'	Points to be seen
1	The remarks of audit authority must be seen by IFA, whether court of enquiry was convened, measures adopted to avoid reoccurrence, any past cases coming to light.
2	Whether certificate from DAVP that such projects / documents, publicity films cannot be made by them has been obtained, whether proposal is through competitive bidding or not, whether funds are available
3	Since the judgment given by court /CAT are to be honoured, IFAs must ensure that proposal is

	submitted for the amount which has been audited by the PCDA /audit authorities, amount is to be noted as charged expenditure.
4(a)	IFAs must ensure that approval of RM for initial deployment of personnel was obtained, total turnover does not exceed the prescribed limit, no undue advantage is given to any individual or unit for deployment. The number of individuals are as per approval of RM.
4(b)	Similar to above
7	Whether the Funds are available, whether approval of competent authority has been obtained for investiture. Procedure is to be followed .
15	Whether approval of competent authority from necessity angle has been obtained, whether technical specifications in regard to size, qty, quality etc have been determined before floating OTE, availability of funds etc

10.3 Checks with reference to items listed in Appx 'B of the Government letter dated 1/9/2006:

Administrative Powers under Srl 2 and 6 are to be exercised in consultation with IFA

Serial No. of Appx. 'B'	Points to be seen
2	The expenditure being incurred is to be booked as Charged expenditure, and aspects of appeal etc have been examined.
6	Whether the amount being sanctioned is as per prescribed Govt policy /orders issued by MOD and does not exceed the prescribed limits.

10.4 Checks with reference to items listed in Appx 'C' of the Government letter dated 1/9/2006:

Administrative Powers under Srl 8 and 9 are to be exercised in consultation with IFA

Serial No of Appx 'C'	Points to be seen
8	The expenditure being incurred is to be booked as Charged expenditure , and MOD (Fin) has to note the same .
9	Whether delay in regard to payment has exceeded three months. Whether interest has been correctly worked out.

The above checks are not exhaustive. IFAs may exercise prudence and supplement the needed checks.

Vide PIFA No. PIFA/RDFP-2006-Air Force dated 21st Sept. 2007 (Instruction No. 16 of 2007), some staff officers, permitted to sign communications on behalf of the CFA are also according sanctions on file for expenditure covered under various schedules of FR Pt. I Vol. II. This is contrary to the spirit of Rule 63 and 65(b) of FR Pt. I.

To avoid ambiguity, it may please be ensured by the IFAs at the time of according financial concurrence to the purchase proposals that the files are marked to the correct CFA and expenditure is sanctioned by the CFA.

Chapter 11

MAINTENANCE OF REGISTERS AND RENDITION OF PERIODICAL REPORTS

11.1 IFAs are required to maintain registers for administrative and functional purposes. The detailed list of administrative registers alongwith Fly Leaf Instructions are available in OM Part II Vol. I and Vol. II which may be referred to for detailed instructions.

11.2 The functional registers are meant for capturing all vital information from the proposals received /concurrent by the IFAs which will provide MIS to the IFA and will form the basis for rendition of reports and returns to Headquarters/CFAs.

11.3 The registers will be put up to the officer in charge /IFA at periodical intervals as prescribed and also produced for inspection .

11.4 List of Registers

- (a) Register for Inward/outward IFA concurrence cases
- (b) Register for allotment of UO No. /Financial Concurrence
- (c) Commitment Register
- (d) Budget allotment/Expenditure Register
- (e) Register of Civil Works Concurrence cases
- (f) Register for CNC/PNC
- (g) FE Noting Register

11.5 The following reports will be rendered by the IFAs to Hqrs Office (Pr. IFA Wing)

(a) Monthly Activity Report: IFAs of SAG and JAG level (Command IFAs only) shall send a monthly activity report in narrative form to the Pr.IFA demi-officially by 10th of the following month as per the guidelines contained in HQrs. letter No. PIFA/MAR/15023 dated 23.11.06. In this connection, HQrs. office circular No. PIFA/MAR/15023 dated 16.10.2007 refers. The points to be included in the Report are indicated in Annexure I to this Chapter. A separate quarterly report may be sent to CGDA on important administrative/functional areas

considered essential to merit the personal attention of CGDA as mentioned as mentioned in para 5 of the instructions dated 25.9.2007.

(b) Monthly Activity Report: IFAs to COD, ED/BRDs, FA to ASD and MS shall send a monthly activity report in narrative form to Command IFA with a copy to Pr. IFA by 10th of the following month. The points to be included in the Report are indicated in Annexure III to this Chapter.

(c) Monthly Progress Report: All IFAs(dedicated and nominated will furnish a Monthly Progress Report containing information relating to the cases concurred, time taken along with budgetary implications by 10th of the following month to Audit Co-ordination Section with a copy to PIFA wing. Detailed instructions are incorporated in Annexure III.

(d) Quarterly Expenditure Report: This report is to be rendered by IFAs of Integrated Service HQ and Command IFAs by 10th of the following month of the quarter to PIFA. Minor head wise expenditure indicating code head wise budgetary allocation and expenditure is to be included in the report to ensure regular flow of expenditure and utilization of budgetary allocation as per annual expenditure plan of CFAs. This will also enable IFAs to ensure that budgetary ceilings are not exceeded.

(e) Quarterly Financial Concurrence Cases Report: Details of the cases received, concurred in and returned shall be included in the Quarterly Financial Concurrence Report to be rendered to PIFA by 15th of the following quarter. For further details, please see Annexure-III.

ANNEXURES

DATA/INFORMATION IN NARRATIVE FORM TO BE FURNISHED BY IFA (FOR THE LAST FINANCIAL YEAR AND UPTO THE LAST QE- BEFORE INSPECTION)

1. State the number of proposals with amount received for AON and vetting of RFPs.
2. State the time taken in concurrence of proposal received for AON and vetting of RFPs.
3. State the number of procurement proposals with amount received for financial concurrence and vetting of supply orders and the time taken for clearance.
4. State the nature of irregularities observed while concurring AON proposals, vetting of RFPs and processing of procurement proposals.
5. State the monitoring mechanism of procurement proposals for which AON/RFP are vetted but proposals for financial concurrence for procurement are awaited for over a month.
6. State the nature of financial advice given in the PNC Meetings.
7. State the number of Price Negotiation Committee meetings attended by the IFA and his representatives.
8. State the number of procurement proposals with amount in which retendering has been advised and in how many procurement proposals the advice of finance was not accepted.
9. State the number of procurement proposals with amount where L1 has not been considered.
10. State the number of procurement proposals with amount where copies of the supply orders issued have not been received.

11. State the number of procurement proposals with amount, if any, where any deviation from the vetted draft supply order have been observed and action taken.
12. Reasons for delays in clearance of procurement proposals if exceeds more than seven days.
13. State the details of savings achieved.
14. State the number of cases in which splitting of powers observed, if any.
15. State the number of cases of dissent notes, if any. Is there any case(s) where CFA has overruled the advice of the IFA and further action taken by IFA.
16. State the percentage of items procured as Scaled and as Non scaled/NSP.
17. State the system followed in selection of Vendors.
18. State the percentage of cases where procurement is made from OEMs, from their authorized dealers, from firms Registered with DGS&D, DGQA and other Defence Organisation and other firms.
19. State the percentage of cases where procurement is made on Open Tender, Limited Tender, single Tender or PAC basis.
20. State the system followed for inspection of the items.
21. State the arrangements for coordination between IFA and executive authorities.
22. State the procedure being followed for budget monitoring.
23. State the procedure followed for committed liabilities.
24. State whether any proposal was financially concurred alongwith reasons which was not included in Annual Works Plan and other PPPs.
25. Comment on the availability of Infrastructure, manpower, availability of fund for contingency/Imprest etc.
26. State the list of registers maintained.

27. State that separate register for dead stock items received from DAD/Executive authorities. A separate register for Computer peripherals is also being maintained.
28. State that physical verification of Dead Stock Articles/ Computer Hardware and Software is being carried out annually.
29. State that separate Cash Book for Public Fund Account (If operated) and Imprest Advance is being maintained.
30. State whether PPPs are being received and verified before vetting procurement proposals for AON.
31. State to what extent IFA is associated in preparation of PPP and are AON Proposals processed on the basis of PPP.

Give details of SOPs/Check lists available/not available with the IFA. Action taken to obtain the SOP/Check lists which are not available.

Points to be seen by the Inspection Team

- (1) Registers maintained are as per provision contained in OM Part II Vol I and II and prescribed by HQrs office vide letter No AT/IX/13381/PC- Registers dated 27.12.2005.
- (2) Stock taking of dead stock article held on charge has been carried out.
- (3) Separate registers are being maintained for dead stock articles received from DAD Funds and Executive authorities.
- (4) Separate register for EDP and peripherals is being maintained w.r.t. the instructions issued by EDP Cell of Hqrs Office.
- (5) Proper sanction is being obtained before incurring expenditure.
- (6) Items purchased are being accounted for properly in the register of dead stock/expendable register.
- (7) Cash Book is being maintained on the prescribed format for the amount received and spent.
- (8) Entries in the Cash Book are being authenticated and there is no overwriting/erasing without proper authentication.
- (9) Entries in the Cash Book are being made immediately after receipt of amount/incurred of expenditure.
- (10) System of MIS followed for proper monitoring and reporting of expenditure to Pr. IFA/CGDA/F.A.(D.S.)/Service Hqrs and other concerned authorities.
- (11) Comment about the coordination with PCDA/CDA and Executives.
- (12) Sample some of the cases from the register of CNC/PNC to ascertain the level of participation in CNC/PNC and financial effect in case of price negotiations.
- (13) Sample the draft supply orders to verify that the same are prepared as per terms & conditions of DPM and terms agreed in CNC/PNC.
- (14) That copies of all the sanctions issued with the concurrence of IFA are being received and recorded in the concerned files

- (15) Check and review the system of monitoring of committed liability for the supply orders placed in the previous financial year.
- (16) Comment on Case studies carried out if any, by the IFA.
- (17) Sample some of the case files w.r.t. the following :
- a) The proposal is included in the PPP.
 - b) Statement of case has been prepared giving full details of existing holdings, deficiency, replacement, urgency factor, financial implications and distribution of proposed quantity alongwith list of approved vendors of the particular trade.
 - c) Proper market survey has been carried out to avoid cost escalation at the time of actual procurement.
 - d) Certificate of availability of funds has been given.
 - e) Extension of delivery period is not granted as a matter of routine.
 - f) Procurement of items is authorised under the head in which procurement has been concurred.
 - g) Vendor is not a general supplier for technical items.
 - h) Vendor is from the approved list of Vendors or is OEM.
 - i) In case of change in terms & conditions of the supply orders having financial implications after placement. IFA's concurrence has been obtained.

Comment on Quality of Noting and examination of financial proposals.

(a) Register of Inward/Outward IFA Concurrence cases

Date	Sl. No	Proposal/ File No	Subject	Unit/ Formation/ Directorate	Distribution	Concurrence/ Return/ Concurrence No. and Date	Remarks
1	2	3	4	5	6	7	8

Object: To record all proposals /files received for financial concurrence

- (i) All proposals /files received will be entered in the Register on day to day basis. The register entry number and date , particulars given on file, subject unit/formation and its disposal (returned or concurred) indicating UO No. and date will be marked in the register.
- (ii) The register will be submitted daily to the group officer/Dy.IFA with the progress of cases.

(Authority - CGDA letter No. AT/IX/IFA/ 13381/PC-Registers dated 27.12.2005.)

(b) Register of allotment of UO No. / Financial Concurrence

Sl No	File No	Unit/ formation/ Directorate	CF A	Subject With brief details of the propos al	AON Stage			Expenditure/Supply Order				DP as per supp ly order	DP etens ion /with out LD)	Rema rks
					Amount proposed	Amount concurrent with UO No. and dated of concurr ence	Saving (6.2- 6.1)	Supply Order No. and Date	Sup ply Orde r Amo unt	UO No. and date of conc urre nce of Supp ly Orde r	Sav ing			
1	2	3	4	5	6.1	6.2	6.3	7.1	7.2	7.3	7.4	8	9	10

Fly leaf Instructions

Object: To have brief details of each case for ready reference

- (i) Separate pages will be allotted for each case/proposal
- (ii) Description of case/proposed alongwith cost will be entered in the register whenever the proposal is received. Receipt and disposal of proposal will be recorded with UO No and date every time when the proposal is received in IFA's office.
- (iii) Cases concurred where supply order/contract is not received, will be taken up with the executive every month to ensure receipt.
- (iv) In case of DP extension, it will be recorded whether extension is being given for the 1st time, 2nd time and so on. Also the duration for which extension is being given will be recorded indicating the date from/to.
- (v) The register will be submitted to Dy.IFA/SAO on monthly basis and to IFA on quarterly basis.

(Authority - CGDA letter No. AT/IX/IFA/13381/PC-Registers dated 27.12.2005.)

(c) Commitment Register

Code Head.....

Allocation under code head	Committed liability carried forward	Balance available for fresh commitments (1-2)	Amount incurred during the month	Liabilities discharged/ expenditure incurred	Committed Liabilities outstanding at the end of the month (2+4-5)	Balance available for fresh commitments
1	2	3	4	5	6	1-6

Object: To watch committed liabilities under each code head.

(i) Committed liabilities means amount for which supply order/contract has been concluded but payment has not yet been made.

(Authority - CGDA letter No. PIFA/Budget/15015 dated 30.5.2007)

(d) **Budget allotment/Expenditure Register (unit/formation/Dte. wise)**
unit/formation/Dte.....
Code Head.....

Sl. No	Month	Budget Allotment	Expdr incurred upto previous month as per compilation	Exdr. Incurred during the month as per compilation	Progressive total (4+5)	Balance Amount available =3-6	%age of expenditure booked (6 as %age of 3)
1	2	3	4	5	6	7	8

Object: To watch progress of expenditure viz-a-vis allotment of Funds

- (i) Separate page will be allotted to each unit/formation/Dte. for each detailed code head of expenditure.
- (ii) Budget allotment/expenditure will be recorded for each head of account for which a separate allotment has been made to the unit/formation/Dte.
- (iii) Register will be submitted to Dy.IFA/SAO/AO by 5th of the month and to IFA on quarterly basis.

(Authority - CGDA letter No. PIFA/Budget/15015 dated 30.5.2007)

Sl. No	Date of submission	Date of return	Nature of work	MWP/AWP Sl. No	RIC Amount	MWP/AWP Amount	FC No and date
1	2	3	4	5	6	7	8

A.O.N. Amount	Shadow file No	Date of submission for A.A. Concurrence	Vetted amount by PCDA/CDA	A.A. FC No & date	Amount	Remarks
9	10	11	12	13	14	15

Object: The register will be maintained to record the details of civil work cases concurred from Acceptance of Necessity angle /administrative approval angle.

Fly Leaf Instruction

(i) In case of Air Force and Naval projects AON and Administrative Approval will be done in two distinct stages. However, in case of Army Projects, the AON stage and AA stages may be combined together as the vetting of necessity and vetting of AE and concurrence by IFA (Army) or CsDA(Army) as the case may be, can be done simultaneously. Only those works which are included in Major Works Programme/Annual Works Programme are processed for issuing administrative approval. Proposals for special works shall be scrutinized by the IFAs **irrespective of whether the particular special works is included in MWP/AWP or not.**

(ii) Rough Cost will be included in Column 6.

(iii) For Works with CFA at Service Hqrs : Acceptance of Necessity(AON) and Financial concurrence will be given by the IFAs of Service Hqrs. However, vetting of AEs for all three Service Hqrs cases will be IFA(Army-Q) New Delhi.

(iv) For Works with CFA at Command level and below: Regional PCsDA/CsDA/Command IFAs will cover all the three stages for Army cases. However, in respect of Navy and Air Force cases, while AON and Financial Concurrence will be given by Command IFAs of Navy and Air Force respectively, the vetting of AEs will be done for all three Service by Regional PCDA/CDA.

(v) Vetting of AEs may be done within a time-limit of two weeks. Piecemeal raising of observations should be strongly discouraged by the concerned IFAs and Regions PCsDA/CsDA.

(vi) IFAs and Regional PCsDA/CsDA functioning as IFA will also monitor

expenditure against allotment for which a register will be maintained keeping records of works approved and funds released for the same during the first financial year. It will be ensured that neither the overall MWP/AWP ceiling fixed for each command/service HQrs exceeds nor the funds for those new works released during the first financial year are beyond the allocation made for new works.

Authority:

MoD SOP for Works dated 28.10.1998

CGDA letter No. 18184/AT-X/VI dated 26.6.2001

and 18184/AT-X/PC-I dated 8.8.2005

(f) Register of CNC/PNC

Sl. No.	Brief Particulars of the proposal	Directorate	Amount of proposal	Date and Time of opening of tenders	Chaired by Name and Designation	Name and Designation of the IFA rep	Outcome of the PNC including the amount negotiated	Saving (in lakhs)
1	2	3	4	5	6	7	8	9

Fly leaf Instructions:-

Object: To record the details of CNC participated by the IFA or his rep.

1. Purchases exceeding Rs. 5 lakh are necessarily on the advice of TPC to be constituted by the CFA.
2. TPC/CNC will include IFA or his rep as a member.
3. Price Negotiation with L1 firm can be considered when the offers received are at wide variation with the estimated cost or when the price quoted are unreasonable. In such cases price negotiation is conducted by the CNC.
4. This register may be put up to IFA on monthly basis.

(Authority : CGDA's letter No. AT/IX/IFA/13381/PC-Registers dated 27.12.05)

(g) FE Noting Register – IFAs at Service HQrs. are required to maintain FE Noting Register and render periodical reports to MoD (Fin/Budget).

(Authority – MoD (Fin.) UO No. 312/S/AF/Bud/02 dated 14.2.2007)

MONTHLY REPORTS/RETURNS (IFA CELL)

Sl.No.	Name of the Report	Contents of the Report	Rendered to	Authority	Due Date	Remarks
1	Monthly Activity Report – IFA System (in narrative form)	i) Achievements during the month. ii) Problems faced in the functional areas. iii) Difficulties in application of rules/orders and suggestions for simplification of procedure. iv) Cases of dissent / overruling by CFA, if any. v) Suggestions for improvement in the functioning of IFA system. vi) Important points of Audit objections including Test Audit objections & Draft Para on cases concurred by IFA. vii) Details of Inspection of sub-offices, major shortcomings noticed and proposed remedial measures. viii) Case studies carried out. ix) Working of control and monitoring systems – Budget Control, PPP including liabilities, maintenance & use of database of rates. x) Interaction with the executive authorities.	The CGDA, Demi-Officially.	PIFA/MAR/15 023/Circular dated 23/11/2006	10 th of the following month	
2	Monthly Activity Report - IFA System (in narrative form)	i) Achievements during the month. ii) Problems faced in the functional areas. iii) Difficulties in application of rules/orders and suggestions for	The PIFA, (Pr.IFA Wing) New Delhi-66.	PIFA/MAR/15 023/Circular dated 12/03/2007	10 th of the following month	

		<p>simplification of procedure.</p> <p>iv) Cases of dissent / overruling by CFA, if any.</p> <p>v) Suggestions for improvement in the functioning of IFA system.</p> <p>vi) Important points of Audit objections including Test Audit objections & Draft Para on cases concurred by IFA.</p> <p>vii) Case studies carried out.</p> <p>viii) Working of control and monitoring systems - Budget Control, PPP including liabilities, maintenance & use of database of rates.</p> <p>ix) Interaction with the executive authorities.</p>				
3	<p>Monthly Progress Report - IFA Work (AF): Generation of MIS Report for Top Management (Proforma enclosed as Annexure-II)</p>	<p>1) Details of AON/TE vetting & 2) Details of PNC/SO vetting having fields of OB, Receipt, Cleared, CB, OD, Cleared within 7/15/30 days, Cases returned, Amount proposed, Amount concurred & Savings. 3) (i) (a) Amount proposed, concurred and savings achieved should tally. (b) The amount of savings should be the amount proposed minus amount concurred. (c) The amount proposed should be for the number of cases concurred and should not include the</p>	<p>The AT-Coord, O/O The CGDA, New Delhi-66. Copy to: The PIFA, New Delhi.</p>	<p>AT-Coord. /00012/MPR/ Misc. dated 08/01/07.</p>	<p>10th of the following month</p>	

		<p>amount of cases returned.</p> <p>(ii) The opening balance should tally with the closing balance shown in the report of the previous month.</p> <p>(iii) The columns of the report should be as per the prescribed format. Columns should not be amended as the MPR is to be compiled through computer.</p> <p>(iv) The number of cases returned should be included in the cases cleared.</p> <p>(v) Total of the number of cases cleared within 7 days, 15 days and 30 days or more should tally with the number of cases cleared during the month.</p>				
4.	Monthly Expenditure Report (See Annexure – IV)	IFAs of Integrated Service HQ and Command IFAs will render a Monthly Expenditure Report with minor headwise expenditure indicating codehead wise budgetary allocation and expenditure.	The PIFA, New Delhi	Authority: PIFA/Budget/150015 dtd 24/08/06	10 th of the following month	

Annexure-III – Part –A (AON/Quantity Vetting) (Air Force)

Monthly Progress Report for the Month of.....in respect of IFA

Description	O B	Receipt	Total	Break up of cases disposed off with time taken				Break up of cases cleared				Cases disposed off (5.4+6.4)	CB (4-7)	Oidstedated	Amt. Proposed (in respect of 6.4)	Amount concurred (in respect of 6.4)	Savings achieved (10-11)	Progressive total of upto the month of report		
				Cases returned with concurrence	7 days	15 days	30 days or more	Total cases returned (5.1+5.2+5.3)	7 days	15 days	30 days or more							Total cases concurred (6.1+6.2+6.3)	Amount proposed	Amount concurred
1	2	3	4	5.1	5.2	5.3	5.4	6.1	6.2	6.3	6.4	7	8	9	10	11	12	13	14	15
1.CHT																				
2.IT																				
3.Sch. VIII																				
4.Sch. IX																				
5.Works																				
6.Misc.																				
7.TAG																				
8. Capital																				
9. Others																				
10. Total of which																				
10.1 Cases recommended for concurrence by higher IFA																				

Annexure-III – Part –B (Financial/expenditure concurrence)

Monthly Progress Report for the Month of.....in respect of IFA

Description	OB	Re ceipt	Tot al	Break up of cases disposed off with time taken								Cases disposed off (5.4+6.4)	C B (4,7)	Oldest dated	Amt. Proposed (in respect of 6.4)	Amount concurred (in respect of 6.4)	Savings achieved (10-11)	Progressive total of upto the month of report		
				Cases returned without concurrence				Break up of cases cleared										Amt propos ed	Am t con cur red	Savin gs achie ved
				7 days	15 days	30 days or more	Total cases returned (5.1+5.2+5.3)	7 days	15 days	30 days or more	Total cases concurred (6.1+6.2+6.3)									
1	2	3	4	5.1	5.2	5.3	5.4	6.1	6.2	6.3	6.4	7	8	9	10	11	12	13	14	15
1.CHT																				
2.IT																				
3.Sch. VIII																				
4.Sch. IX																				
5.Works																				
6.Misc.																				
7.TAG																				
8. Capital																				
9. Others																				
10. Total of which																				
10.1, Cases recommended for concurrence by higher IFA																				
10.2 Balance cases within the competence of IFA rendering the report																				

NOTE: 1. No of cases cleared after 30 days or more should be shown separately as a note below the report with reasons
2. Total of serial number 10.1 and 10.2 should be equal to serial number 10.

Annexure-IV

QUARTERLY FINANCIAL CONCURRENCE REPORT

Sl. No	Name of the Report	Contents of the Report	Rendered to	Authority	Due Date	
1	Quarterly Financial Concurrence Report (Proforma enclosed as Annexure-III-A)	<p>a) The total time taken has to be computed from the date of receipt of file in IFA's office for AON to final vetting of S.O.</p> <p>b) The amount concurred is the one cleared at vetting of SO/AE stage.</p> <p>c) Only financially concurred cases need to be reflected in the report but cases accepted from AON angle / returned with observations would be shown consolidated as a note to the report.</p> <p>d) The balance number of cases in the pipe-line will be the total number of cases received in IFA's office that are in various stages but not cleared from expenditure angle.</p> <p>e) If a case is returned with observations and resubmitted during the quarter, it will be taken as a distinct case for the purpose of total receipt.</p>	The PIFA, (Pr.IFA Wing) O/O The CGDA, West Block-V, R.K. Puram, New Delhi-66.	PIFA/QE Report/2004-Vol.I dated 15/02/2005.	15 th of the following month	

**Rendition of Quarterly Report on Financial Concurrence Cases
Details of cases concurred during Quarter Ending.....**

Sl. No	Initial date of receipt	Case File No & date	Date of clearance		Time taken by		No of times case returned with observation	Mode of quotation /TE	Amount proposed	Amount concurred	Total Savings	
			AON/TE Vetting	PNC/SO Vetting	IFA at various stages	Executives					During PNC	On advice of IFA
1	2	3	4	5	6	7	8	9	10	11	12	13

Format to render Quarterly Expenditure Report
(Amount in Rs Lakh)

Sl. No	Minor Head		Sub-Head	Allotment for the year 2007-08	Expdr booked upto	% of Expdr booked	Remarks
1	2	3	4	5	6	7	8
1	CHT	105					
	Total						
2	IT	110					
	Total						
3	Sch. VIII	110					
4	Sch XII	110					
	Total						
5	Works	111					
	Total						
6	Misc	800					
7	TAG	110					
	Total						

Office of the Controller General of Defence Accounts

West Block V, R. K. Puram, New Delhi - 110066

No. AN/I/1320/3/XXXVI

Dated: 30th May 2007

To

All PCsDA/CsDA
All Command IFAs Air Force
All IFAs Air Force

Subject: Coordination - Air Force IFAs.

A need has been felt for a functional hierarchy at Command IFA level to provide guidance to the nominated IFAs of Air Force on functional matters and coordinate their interaction with CFAs.

2. Accordingly, it has been decided to entrust the following coordination functions to Command IFAs (Air Force) with immediate effect

- (i) Co-ordination between CFAs and IFAs of the units (as shown in Annexure-I against each co-ordinating Command IFA), resolving the local problems of IFA coverage, logistic arrangements, issues related to attending TPC/PNC, other functional issues.
- (ii) A Monthly Activity Report as per proforma attached be sent by the nominated IFAs to the co-ordinating Command IFAs for resolving functional/logistic problems.
- (iii) Nominated IFAs (Air Force) would refer their points of doubt on financial matters to the Command IFAs with a copy to Pr.IFA.

3. IFA coverage of ED/BRD/AF Stn./Wings/SUs etc. as per Annexure-II, having been entrusted to the officers of JAG/SAG level, have been kept out of the purview of this arrangement and the Command control of these units/formations will continue to be exercised by the JAG/SAG officers entrusted with IFA coverage of these units/formations.

(Sanjeev Kumar)
Jt.CGDA (Admin)

Copy to:

1. Pr. IFA (Local) - For information with reference to their UO note No. PIFA/Policy/AF/2007 dated 29th May 2007.
2. AVM VijayaKumar, ACAS - Copies of Annexures I & II showing name of the unit with location and the Command IFA to whom the Command and Control has been entrusted, are enclosed for your information. It is requested that the Air Force Command HQrs. and the units shown in the Annexure may please be suitably informed about the new arrangement and advised to approach the concerned Command IFAs for resolving the issues pertaining to IFA coverage and only the unresolved issues be reported to the Pr.IFA Wing through Air HQrs.

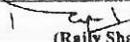
Sanjeev Kumar
(Sanjeev Kumar)
Jt.CGDA (Admin)

Co-ordination: Air Force IFAs

WESTERN AIR COMMAND

Command IFA : Shri Dinesh Singh, Addl.CDA, O/o the DCDA (AF), Subroto Park, New Delhi

Sl. No	Name of IFA	Office	Organisation	Units	Location	Command Control
1	2	3	4	5	6	7
1	Sh. Didar Singh ACDA	ZO (PD) Jalandhar	CDA (PD) Meerut	8 Wing 9 Wing 1FB SU 230 SU 501 SU	Adampur Halwara Amritsar Amritsar Barnala	IFA (WAC)
2	Sh. Barkat Raj, DCDA	AO (P) Deepak, Shimla	CDA (BR) Delhi Cantt.	805 SU	Kasauli	IFA (WAC)
3	Sh. Kalyan Singh, DCDA	ZO (PD) Pathankot	CDA (PD) Meerut	740 SU 18 Wing	Dalhousie Pathankot	IFA (WAC)
4	Sh. Nabarun Dhar, ACDA	AO (P) Himank, Leh	CDA (BR) Delhi Cantt.	21 Wing 19 FBSU	Leh Thoise	IFA (WAC)
5	Sh. D C Pokhriyal, ACDA	PAO (ORs) BEG & C, Roorkee	CDA (Army) Meerut	30 Wing	Sarsawa	IFA (WAC)
6	Sh. P.M. Kale, DCDA	AO (P) Chetak, Bikaner	CDA (BR) Delhi Cantt.	263 SU 35 Wing	Bikaner Suratgarh	IFA (WAC)

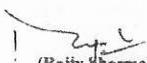

 (Rajiv Sharma)
 Senior Deputy CGDA (Admin.)

EASTERN AIR COMMAND

Command IFA : Shri Taliremba, Addl.CDA, Area Accounts Office, Shillong

Sl No	Name of IFA	Office	Organisation	Units	Location	Command Control
1	2	3	4	5	6	7
1	Sh.A.A. ACDA	Zirale, AO (P) Udayak, Dumduma	CDA (BR) Delhi Cantt.	14 Wing 511 SU 42 Wing	Chabua Dirjan Mohanbari	IFA (EAC)
2	Sh. Dilip DCDA	Kumar, AO (P) Vartak, Tezpur	CDA (BR) Delhi Cantt.	10 Wing 5 AFH 11 Wing 825 SU	Jorhat Jorhat Tejpur Misamari	IFA (EAC)

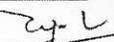
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(Rajiv Sharma)
Senior Deputy CGDA (Admin.)

SOUTH WESTERN AIR COMMAND

Command IFA : Shri Santosh Kumar, Addl.CDA, Area Accounts Office, Ahmedabad

Sl. No	Name of IFA	Office	Organisation	Units	Location	Command Control
1	2	3	4	5	6	7
1	Sh. P.M. Kale, DCDA	AO (P) Chetak, Bikaner	CDA (BR) Delhi Cantt.	46 Wing	Nal	IFA (SWAC)
2	Sh. R.C. Nayyar, ACDA	AAO, Jodhpur	PCDA (SC) Pune	860 SU 41 Wing 5 FBSU 32 Wing 33 SU 750 SU	Jaisalmer Jaisalmer Uttarlai Jodhpur Jodhpur Jodhpur	IFA (SWAC)
3	Sh.V.V. Krishnamurthy ACDA	IFA COD Kandivalli	IFA (SC), Pune	30 ED AF Stn. 26 Wing 272 SU AF Stn.	Mumbai Mumbai Thane Mumbai Kaneri Hills	IFA (MC) IFA (SWAC)
4	Shri V.P. Bhade, IDAS Dy.IFA	33 Wing, Air Force Stn. Jamnagar	PCDA (SC) Pune	33 Wing 27 Wing 254 SU 12 FBSU 77 SU	Jamnagar Bhuj Nalia Nalia Samana	IFA (SWAC)


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 Senior Deputy CGDA (Admin.)

CENTRAL AIR COMMAND

Command IFA : Shri Sandeep Sarkar, Jt.CDA, PCDA (Pensions), Allahabad

SL No	Name of IFA	Office	Organisation	Units	Location	Command Control
1	2	3	4	5	6	7
2	Sh. S.S.Karekar, ACDA	PAO (ORs) 39 GTC, Varanasi	PCDA (CC) Lucknow	4 AFSB	Varanasi	IFA (CAC)
2	Sh. M. Ramdas, ACDA	AAO (CC) Allahabad	PCDA (CC) Lucknow	17 Wing	Gorakhpur	IFA (CAC)
3	Sh. Arabinda Roy, ACDA	PAO (ORs) ASC, AT Gaya	CDA Patna	7 C&MU 6 C&MU	Darbanga Bitha	IFA (CAC)
4	Sh. V.K. Kohli, ACDA	PAO (ORs) JRC, Bareilly	CDA (Army), Meerut	15 Wing 789 SU	Bareilly Nainital	IFA (CAC)

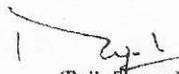
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(Rajiv Sharma)
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TRAINING COMMAND (AIR FORCE)

Command IFA : Shri K. Satheesh Babu, CDA, CDA(R&D) Bangalore

Sl. No	Name of IFA	Office	Organisation	Units	Location	Command Control
1	2	3	4	5	6	7
1	Sh. K. Veerbhadra Rao, ACDA	ACDA (PAO) ORs MLI Belgaum	CDA, Bangalore	ATI/ATS	Belgaum	IFA (TC)
2	Sh. P. C. Subramanian, DCDA	PAO (ORs) MRC Wellington	CDA Chennai	DSSC (Air wing)	Wellington. Ooty	IFA (TC)
3	Sh. V. R. Seetharaman, DCDA	CDA Chennai	CDA Chennai	413 AF Stn.	Tambaram	IFA (TC)

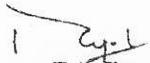

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SOUTHERN AIR COMMAND

Command IFA : Shri Kanwaldeep Singh, Jt.CDA, Area Accounts Office(Navy), Kochi

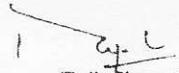
Sl. No	Name of IFA	Office	Organisation	Units	Location	Command Control
1	2	3	4	5	6	7
1	Sh. Kanwaldeep Singh Jt.CDA	AAO (Navy) Kochi	PCDA (Navy) Mumbai	17 FBSU HQ SAC HQ SAC (U)	Trivandrum Trivandrum Trivandrum	IFA (SAC)

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Other IFAs Air Force (SAG/JAG Level)

Sl. No	Name of IFA	Office	Organisation	Units	Location	Command Control
1	2	3	4	5	6	7
1	Dr. Jaipal Singh, IDAS IFA	IFA (CC) Lucknow	IFA (CC) Lucknow	505 SU 65 SU 8 C&MU AFLE (LD)	Lucknow Lucknow Lucknow Lucknow	Command Control of these units/ formations will continue to be exercised by the JAG/SAG officers entrusted with IFA coverage of these units/formations.
2	Sh. A.K. Kadyan, IDAS IFA	IFA (SWC) Jaipur	IFA (SWC), JAIPUR	759 SU	Jaipur	
3	Sh. Rajesh Ranjan Jt.CDA	AAO (CC) Agra	IFA (SWC), Jaipur	4 Wing 40 Wing	Agra Gwalior	
4	Sh. T.K. Jajoria, J.CDA	AAO (NC) Srinagar	PCDA (NC) Jammu	1Wing 8 FBSU	Srinagar Avanatipur	
5	Sh. S. K. Tiwari, Addl. CDA	PCDA (P) Allahabad	PCDA (P) Allahabad	AFLE (Korwa) 24 ED 29 Wing 820 SU	Sultanpur Allahabad Allahabad Allahabad	
6	Dr. A.K. Pradyot, Jt. CDA	PCDA (AF) Dehradun	PCDA (AF) Dehradun	1 AFSB	Dehradun	


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Sl No	Name of IFA	Office	Organisation	Units	Location	Command Control
1	2	3	4	5	6	7
7	Sh. R.N. Biswas, Addl.CDA	AAO Siliguri	CDA Patna	20 Wing 273 SU 14 FBSU 799 SU 788 SU 16 Wing 10 AFH	Bagdogra Bagdogra Purnea Kurseong Purnea Hashimara Hashimara	
8	Sh. S. K. Singh, Addl. CDA	Addl. CDA, AAO Kolkata	CDA Patna	6 Wing 5 Wing 62 SU 507 SU 763 SU Adv HQ EAC(U) Fort William	Barrackpore Kalaikonda Salwa Singarsi Panagarh Kolkata	

APPENDIX

Market Research**1. Categories of MR**

a). Macroeconomic Research - This refers to the general economic environment and focuses on factors that can influence the future economy. Examples could be Business cycle and Economic growth, Industrial production, Average utilization rate in industry, wage rates, employment, average price level, inflation, Interest rate, Supply and Demand, etc.

b). Meso-economic Research - This focuses on specific sectors of industry, of which the items being bought are related to. For a particular industry, information on the supply-demand trend, Utilization rate, level of competition, technological advancements, trade discounts, etc can be extremely handy to IFAs for processing procurement proposals.

c). Microeconomic research - This focuses on individual suppliers and products, as in financial survey of a supplier, feasibility of entering into a long-term contract, etc. IFAs may use this research in PAC / Single tendering cases in particular. Examples could be Financial situation, Organizational structure, Quality of delivered goods, Delivery performance, Delivery lead time, Service quality, Ownership pattern, Cost-price structure, Price level, etc.

2. Methods of MR - In the case of purchasing market research, it is common to differentiate between desk research and field research. Desk research is the gathering, analysis and interpretation of data that serve the purchase function, but which have already been gathered by others. The best place to do it is on Web sites, though browsing through technical/professional journals, financial newspapers, etc can also be extremely informative. Field Research is the gathering, analysis and interpretation of information that cannot be obtained by means of desk research. It tries to track down new information. Some of the methods could be as under -

2.1 Financial/Technical journals and Specialized Publications -

a) Specialized Journals and Publications are extremely valuable tool for developing a solid database. The information contained in them is much more

elaborate than News papers and also covers additional topics. They help in generation of important database for Finance Member in following areas –

- i.** Price List – Several ads are published by vendors regarding their product and price. Virtually all important items (except the customized ones) will be found covered in Journals / Magazines as far as pricing is concerned.
- ii.** Vendor List – Specialized ads frequently appear in Magazines for a particular industry in which several vendors publish their products. A comprehensive list of vendors for different categories of items is published regularly in several magazines. In the regular ads also, all the major OEMs publish the names of their accredited resellers, agents, retailers, distributors etc., which can be very useful for Finance Member when he examines the question of sufficient competition against the issue related to mode of tendering.
- iii.** Industry Specific Information – Specialized articles in various magazines give detailed sectoral analysis of a particular industry. It provides insight into the functioning of that industry, present players operating in the market, latest technological changes occurring in that industry, macro factors like recession, inflation effecting that industry, future trends etc.. This input can be extremely useful for Finance Members during their negotiations with the vendors.
- iv.** Macro Economic Issues – Regarding the Condition of Economy in general, useful news items and editorials appearing in various Finance Magazines can be very handy. Factors like Inflation Rate, Recession, Bank Rate, Budget Policy, Export Import Policy, Sales Tax Policy, Industrial Policy, International Economic Trends etc., are useful inputs for Finance Member.
- v.** Taxation Matters – Finance Journals especially ICFAI publications give a good perspective on Taxation Matters. Issues related to excise duty, Central sales tax, Customs duty, State Sales Tax etc., occur in a dynamic situation where Court decisions and Government announcements are done in regular basis. Finance Member has to keep himself up dated on all these issues for effective participation in TPCs.
- vi.** Legal Decisions – Several Court Judgments on Government Tendering process are announced from time to time. Journals related to Legal decisions give a summary of all such Court decisions.
- vii.** Defence Matters– Important developments in Defence Policies are

published in specialized journals published by IDSA, CDM etc,. Keeping abreast with these developments will help Finance Members in having a better perspective in Purchase process.

viii. Technical Inputs – Several Technical journals specialize in giving information about technical information like latest trends in Technology, Basic concepts of Technological process, detailed description of technical products etc,. Some expertise in these areas is desirable for Finance Member to develop.

b) An illustrative list of all such Journals / magazines, useful for purchase, is given below –

- a. RBI Monthly Bulletin
- b. CMIE'S monthly report
- c. Chartered Financial Analyst – The flagship Publication of ICFAI with analytical articles, Case studies, debates and Book reviews.
- d. The Accounting world – a digest devoted to the domain of cutting edge accounting knowledge
- e. ICFAI Reader – A digest with articles of enduring significance on wide ranging topics in Finance.
- f. Treasury Management – A niche Publication with focus on frontier areas in Treasury and Forex Management.
- g. Effective Executive – A monthly digest which brings the latest thinking in various branches of Management for executives.
- h. Chartered Secretary – Published by The Institute of Company Secretaries of India, it publishes the latest legal decisions on financial matters apart from the conceptual articles on finance.
- i. The Management Accountant – Published by the Institute of Cost and Works Accountants of India, it contains articles on Industry, Taxation and Cost Management.
- j. Business Today – Contains lot of conceptual articles on Financial Management and also the Business News and Macro Economic Trends.
- k. Business India – Same as above
- l. Business World – Same as above
- m. Productivity – Principle Journal of National Productivity Council of India aims at disseminating information on concepts and data on productivity and its growth in India and else where. It also aims at

- disseminating knowledge on techniques and methods of productivity improvement through effective management of all types of resources.
- n. Digit - Extensive information on latest Hardware and Software products, vendors, Tips for buyers of PCs and accessories, Technical knowledge in simplified form etc
 - o. PC World - Same as above
 - p. PC Quest - Same as above
 - q. IT - Same as above
 - r. IT Shopper - The best input given on the Price List among all the PC Magazines. Gives detailed information on all product releases of the concerned month - direct from the vendor.
 - s. Voice & Data - covers all latest products, prices and vendors related to communication industry.
 - t. Network Computing - covers all latest products, prices and vendors related to Networking industry.
 - u. Electronics for you - The best magazine to give information on latest products, prices and vendors related Electronics industry. Their monthly focus on a particular topic can be extremely useful for going in detail about a particular issue.
 - v. Fluid Power Journal - Quarterly magazine, which focuses on Hydraulics and Pneumatic Industry.
 - w. The ET Polymers - Bi-monthly magazine, which focuses on Plastic Industry
 - x. The Machinist - Bi-monthly magazine, which focuses on Machine Tools and Manufacturing Technology
 - y. Instrumentation and Control Journal - Bi-monthly magazine, which focuses on Instrumentation and Process control
 - z. Search - The best magazine on information about technological products, latest developments in technology, vendor list and price list.
 - aa. Legal Magazines - They are extremely important for Finance Reps as often they contain important Court decisions on Government tendering procedures. The sections pertaining to Article 14, 19, 298, 299, 300 of Constitution of India, Contract Act, Sales of Goods Act etc., should be browse through in these magazines for judgments relevant to Government purchase. Examples are Supreme Court

2.2 Specialized Publications - Various Organizations publish special papers / documents, which could be very useful to Finance Member for Reference / Database.

a) Manufacturer And Dealer Catalogs - Catalogs are familiar sources of data that can be found in both department stores and mail order houses. The manufacturer and dealer catalogs used in Defence purchasing resemble these catalogs in the type of information they provide. Typical data IFAs can find in manufacturer and dealer catalogs include:

- i. Product descriptions
- ii. Pictures
- iii. Prices and quantity discounts
- iv. Minimum order requirements
- v. Delivery data
- vi. Points of contact for quotes and orders

2.3 Product Brochures And Promotional Material - Brochures and promotional material provide much greater detail about specific products than would normally be included in a catalog with several thousand other products. While details on pricing and delivery are often included, this information may be excluded in order to provide greater latitude in negotiating the terms of sale. The following are typical data IFAs can find in product brochures and promotional material:

- i. Detailed specifications
- ii. Pictures
- iii. Available service guarantees and products
- iv. Points of contact for quotes and orders
- v. Pricing information
- vi. Delivery data

2.4 Trade Journals - Trade journals provide a variety of information from different sources, including advertisements, product evaluations, and independent articles. Following are some of these sources of information for IFAs -

- a. **Advertisements** typically consist of product descriptions, often with pictures and comparisons with competitor's products. Sources to consult for additional information may also be identified.

- b. **Product evaluations** provide independent information to buyers who may be considering the purchase of that product or a similar one. Evaluations usually deal with technical capabilities, but often include information on source locations, pricing, and warranties.
- c. **Articles** about the trade may indirectly provide an independent analysis of product capabilities. Successes or failures in using particular products or services serve as evaluations of their quality.

2.5 An illustrative list of such sources, as mentioned above, is given below –

- a. RS Catalogue –This publication containing price list of over 1,00,000 items.
- b. International Data Corporation specializes in area of Market Research and Consulting in Information Technology. They sell lot of specific reports on Status of Industry, Market, Trends in Technology.
- c. R.K.Swamy (BBDO) Guides to Market Planning
- d. Electronics for You publishes their annual guide which gives exhaustive coverage of entire electronics Industry in India.
- e. The Search Magazine publishes their Industrial Source book each year in January. It gives detail coverage of each industry, Product update and Vendor List.
- f. Voice & Data Magazine publishes their Gold Book annually. It is resource guide on buying communications and Networking Products & Services.
- g. Electronic for You publishes their IT Directory once in a year. It gives details of all major IT Organizations with full contact details, Segment wise listing, Overall statistics of IT industry, Product wise Listings, List of MNCs in India, Importers and Exporters marked separately.
- h. Survey of Indian Industry
- i. Yellow Pages – Its importance in providing sufficient number of vendors for a particular item can not be under estimated. Now a days, they are available in CD-ROM format also which makes it fairly easy to retrieve any desired information.

3. Financial newspapers for prices and products - News papers like Business Standard, Economic Times, Business Express, etc can provide up-dated

material in regard to Procurement matters on day to day basis. They can help in generation of important database for Finance Member in following areas-

- a. Price List - Several ads are published by vendors regarding their product and price. This is especially for the items like COTS, PCs, Office equipments, etc where the price fluctuation is volatile. Financial News papers also provide information about commodities like metals, Non-metals, Other Raw Materials, Manufactured Products etc., which proves very handy for Costing and Pricing purposes.
- b. Vendor List - Specialized ads frequently appear in Newspapers for a particular industry in which several vendors publish their products. In the regular ads also, all the major OEMs publish the names of their accredited resellers, agents, retailers, distributors etc., which can be very useful for Finance Member when he examines the question of sufficient competition against the issue related to mode of tendering.
- c. Industry Specific Information - Once in a week, News papers like Economic Times and Business Standard publish detailed sectoral analysis of a particular industry. It provides insight into the functioning of that industry, present players operating in the market, latest technological changes occurring in that industry, macro factors like recession, inflation effecting that industry, future trends etc.,. This input can be extremely useful for Finance Members during their negotiations with the vendors.
- d. Macro Economic Issues - Regarding the Condition of Economy in general, useful news items and editorials appearing in News papers can be very handy. Factors like Inflation Rate, Recession, Bank Rate, Budget Policy, Export Import Policy, Sales Tax Policy, Industrial Policy, International Economic Trends etc., are useful inputs for Finance Member.
- e. Taxation Matters -Issues related to excise duty, Central sales tax, Customs duty, State Sales Tax etc., occur in a dynamic situation where Court decisions and Government announcements are done on regular basis. Finance Member has to keep himself up dated on all these issues for effective participation in TPCs.
- f. Legal Decisions - Several Court Judgments on Government

Tendering process announced from time to time. News papers often publish summaries of these judgments.

- g. Government Decisions on Tendering – Several news items are published virtually every day regarding decisions taken by various Government departments on their tenders. Some times Government also pronounces important policies on tendering procedures. All these can be of valuable guide to finance members for making their point during TPC.
- h. **Defence Matters** – Important developments in Defence Policies and regularly appear in newspapers. Keeping abreast with these developments will help Finance Members in having a better perspective in Purchase process.

4. Visits to exhibitions / conferences / OEM's premises to update with latest technological and financial issues – Several Industry-specific and defence-specific Exhibitions / Seminars are regularly held in major cities. Listening to presentations in these places and collection of handouts/pamphlets can give useful updated inputs to IFAs while processing procurement cases. In assessing the reasonableness, general analysis of Financial/Cost ratios from published accounts and evaluation of Commercial/Technical information of the Vendor/Bidder can be supplemented with field visits / OEM's premises. It will be helpful for IFAs to understand vendor's approach to controlling cost, adherence to delivery schedule, Cost Accounting System and other factors affecting contractor's ability to meet cost/schedule targets

5. Browsing through Web sites - With the growth of Internet, Web sites have become the most popular way for the vendors to reach out to the possible buyers. Not only inputs are available about the sources of products but more importantly, exact pricing of such products is instantaneously available. The information is so updated that one can ascertain worldwide price of a particular product on the TPC date itself.

- a) The best way to ascertain information on any item is to use the search engine in sites like www.google.com, www.yahoo.com, www.alibaba.com, etc. The search button and key word given by the user provides several links to that particular item. A patient perusal of each of these links will provide sufficient information about the desired input. Following areas are

relevant for purchase-

- a. Industry-specific
- b. Vendor-specific
- c. Product-specific
- d. Price
- e. Technology

- b) Specific price comparisons, known as price index numbers, are particularly useful in making price comparisons over time. IFAs can use price index numbers to adjust the price for any purchase or sale of a particular product at any time, to estimate the contract price for current requirement. IFAs can even make comparisons using information from several Procurements involving several different vendors. In regard to price indices of indigenous items, website of Ministry of Industry www.eaindustry.nic.in should be accessed for the latest indices/trends and for metals and other minerals, access www.mmr.online.com for updates. The other useful sites are <http://www.ciionline.org/>, www.tradintelligence.com and www.cmie.com. The monthly report of CMIE (Centre for Monitoring Indian Economy), COSMOS Package of CMIE giving updates on performance of listed Indian companies, RBI monthly bulletin, Economic survey and its Appendix containing statistical tables are excellent reference material for market trends. The World Economic Outlook - a monthly report from IMF, gives inputs on price trends of different countries. LME (London Metal Exchange) gives price trends of nonferrous details, which often show volatile trends. Indices of electronic items often show lower trends. Instructions issued by Ministry of Finance on its web site www.finmin.nic.in should be assessed as also RBI's site <http://www.rbi.org.in>. Sites like **Error! Hyperlink reference not valid.**.com/ give price list and vendor list for military-specific items, which can be used as a tool in PNC and also for firming up estimated cost at AON stage.

6 Be aware of Latest trends in Materials and Logistic Management

- a) IFAs need to appreciate that the principal objective of Inventory controllers are to reduce investment in inventories and simultaneously to minimize idle time by avoiding stockouts and shortages and that these two objectives

are often in mutual conflict! Defence logistic managers are increasingly accepting the validity of techniques of inventory control for improving the operational performance of their depots/workshops/offices. The objectives of applying these techniques and degree of their application may differ, but there is no doubt that awareness of utility of these techniques is spreading in Defence services. IFA needs to be aware of latest trends in this area. The science of inventory management has developed highly sophisticated levels and many possible ramifications of demand situations e.g. uncertainty, seasonality, etc have been intensively explored. Applications of techniques of Operations Research have added to the sophistication.

b) While across the industry, Procurement function has almost merged with Inventory Management to become a part of Supply Management, the same has not happened with reference to IFA's role vis-a-vis Users in Defence services. While IFA is required to play a major role in Procurement, he/she does not get involved with Inventory Management per se. However, IFAs can still enter into the domain of Inventory Management at AON stage. The conflicting objectives of inventory control, as mentioned above, are reflected in the seemingly conflicting demands which are made on an Inventory manager in which IFA can get involved. For example, stocks are to be kept at a low level but not too low; turnover is to be increased but only at a satisfactory rate; bulk purchases are to be attempted to obtain better prices but overbuying is to be controlled; special attention is to be given to the disposal of obsolete or near obsolete items but not before the point of obsolescence is identified; and so on. IFA in close association of User, will have to do balancing of specific objectives which will require understanding and analysis of many interrelated variables: prices, operating costs, stock quantities. Distances, supply and services, etc.

c) Among the large number of available tools and techniques of inventory control, a few relevant to IFA are mentioned below –

- i.** ABC, FSN and VED analysis
- ii.** Codification and standardization
- iii.** Determination of re-order quantities
- iv.** Selection of Replenishment systems
- v.** Economic Order Quantity
- vi.** Application of Probability and Demand Forecasting

7 Know Costing techniques – Without the need for developing the expertise expected of a Cost Accountant, IFAs can be effective negotiators if they develop some basic knowledge of Costing techniques relevant for Procurement functions. Concepts like Cost structure (variable, semi-variable and fixed costs) and their importance for profit planning for vendor, Break-even point, Profit/Volume ratio, Marginal and Absorption Costing, Overhead costs apportionment, Operating costs, Life Cycle Cost, Net present Value, DCF, etc. IFAs should have the basic knowledge of the techniques and procedures to perform cost analysis in simple form as mentioned below :

- a)** To verify cost or pricing data or information (other than cost or pricing data).

- b)** To Evaluate cost elements, including:
 - i.** The necessity for and reasonableness of proposed costs, including allowances for contingencies;
 - ii.** Projections of the vendor's cost trends, on the basis of current and historical cost or pricing data or information other than cost or pricing data;
 - iii.** A technical appraisal of the estimated labor, material, tooling, and facilities requirements, and scrap and spoilage factors; and
 - iv.** The application of audited or negotiated indirect cost rates, labor rates, cost of money factors, and other factors.

- c)** To evaluate the effect of the vendor's current practices on future costs.
 - i.** To see that the effects of inefficient or uneconomical past practices are not projected into the future.
 - ii.** In pricing production of recently developed complex equipment, ability to perform a trend analysis of basic labor and materials even in periods of relative price stability.

- d)** To compare costs proposed by the vendor for individual cost elements with:
 - i.** Actual costs previously incurred by the vendor;
 - ii.** Previous cost estimates from the vendor or from other vendors for the same or similar items;
 - iii.** Other cost estimates received in response to the other Users's request;
 - iv.** Independent cost estimates by technical personnel; and

- v. Forecasts or planned expenditures.
- e) To verify that the vendor's cost submissions are in accordance with the contract cost principles and Cost Accounting Standards.
- f) To determine whether any cost or pricing data necessary to make the contractor's proposal accurate, complete, and current have not been either submitted or identified in writing by the contractor. If there are such data:
 - i. To obtain the data and negotiate using the data obtained, or
 - ii. To make satisfactory allowance for the incomplete data.
- g) To analyze the results of any make-or-buy program reviews, in evaluating subcontract costs.

8 Have an idea of Operational Research Models -

(a) The Committee on delegation of Powers in their report of June 2006 indirectly touched the area of Operations Research in para 11.1 (m) while emphasizing the need for reviewing efficacy of Transportation Model for direct dispatch of stores. Operations Research (also known as Quantitative Methods, Management science, Decision science) can be viewed as a scientific method of providing us the quantitative basis for decisions regarding the operations under our control. By using different OP techniques, we generally attempt to arrive at an optimal solution of the problem based on some criteria or criterion for optimality. A brief comment on certain standard techniques or prototype models of operations research which can be useful to IFAs in solving a particular class of problem is given below. However, it must be remembered that each one of these models of OP involves detailed studies.

- i. Allocation models - These deal with the allocation of scarce resources so that the objective function can be optimized, subject to certain constraints. These techniques are collectively called mathematical programming techniques. Transportation and Assignment Models are important models in this category, which can be relevant to IFA's work. Transportation model is a special case of linear programming which matches sources of supply to destinations on cost or distance considerations. For example, movement of raw materials from different sources to manufacturing plants at different locations based on availability of raw materials at various sources, the requirements at different plants and the cost of transportation involved. Assignment

model is a special case of Transportation model where the aim is to assign a number of origins to the same number of destinations at a minimum total cost. For example, assigning of men/machines to same number of jobs / tasks.

- ii.** Queuing theory - It studies random arrivals at servicing or processing facility of limited capacity. These models attempt to predict the behavior of waiting lines, i.e. the time spent waiting for a service. The technique is descriptive and describes behavior that can be expected given certain parameters. It is not prescriptive in nature and does not offer an optimal solution. The models deal with the trade offs between cost of providing service and value of time spent waiting for a service.
- iii.** Simulation models - The procedure studies a problem by creating a model of the processes involved in the problem and then, through a series of trial-and-error solutions attempts to determine a better solution to that problem. It is one of the most widely used quantitative techniques today.
- iv.** Sequencing models - These models are concerned with the selection of an appropriate sequence of performing a series of jobs on service facilities (machines) so that some efficiency measure of performance is optimized (generally the total time taken or the time spent in waiting).
- v.** Decision theory - Decision situations can be classified into deterministic or certainty, probabilistic or risk and uncertainty. Decision making under certainty can be dealt with by various optimization techniques. Decision theory deals largely with decision making under risk where the probabilities of certain conditions occurring (such as demand for an item) are predicted and various options assessed based on these probabilistic values. In situations of uncertainty there can be no specific approach. A set of decision rules can be applied and insight gained into the decision maker's style of functioning. This is particularly applicable to studying a competitor's style of decision making and predicting how he would react in a certain condition so as to gain advantage for oneself.
- vi.** Game theory - This deals with decision making under conditions of competition. Its assumptions currently restrict its usage.
- vii.** Markov models - Markov analysis helps to predict changes over time when information about the behavior of a system is known. The models are particularly useful in predicting brand loyalties, manpower planning

and management of receivables.

a) Some of the Procurement problems, which can be analyzed by OP approach are mentioned below –

- i.** Rules for buying supplies under varying prices
- ii.** Determination of quantities and timing of purchases
- iii.** Bidding policies
- iv.** Strategies for exploration and exploitation of new material sources
- v.** Rationalization of manpower requirements (hiring of services)
- vi.** Transportation and Warehousing issues
- vii.** Maintenance policies and Preventive Maintenance (AMC, Warranty issues)
- viii.** Determination of time-cost trade-offs and control of development projects (DRDO)

Acceptance of Necessity (AON) stage - General

1 This stage can be further divided into six distinct areas in which IFA is required to pay attention. They have been mentioned below.

2.1 AON stage – Why and How much?

- a. Critically examine the justification given for the item in SOC and main noting.
- b. Find out whether item pertains to scale or un-scaled category or whether it has been mentioned in the categories mentioned in various Govt rules or Army orders. Remember that an item is scaled when it is approved by CCS / its authorization has been laid down in Govt orders. Unscaled/new items necessity to be examined with reference to actual need etc.
- c. If PPP exists for the category of items being proposed, then compare the nomenclature, quantity and cost of item given in PPP and present proposal. Ask queries in case of any differences in the two.
- d. Ascertain details like authorization of item as per MoD/AHQ letters, existing holdings, and quantities already ordered but delivery awaited and deficiency to arrive at a scientifically calculated Net figure.
- e. Find out the proposed distribution of item to ensure no extravagance and over-provisioning is being done. Ensure that items are being procured for authorized personnel and offices.
- f. Ascertain whether the purpose of present proposal can be achieved by modification or up-gradation of existing items/facilities. Find out disposal of existing item in case of old vintage to get the best value to state.
- g. If existing facilities are being strengthened with additional quantities, confirm that issues like standardization and compatibility have been taken into account.
- h. In case of AON for scaled items, conduct vetting of quantities, assessment of physical requirement of various resources with respect to targets fixed and budget availability. If inventories are maintained through automated systems and you have been provided terminal on the same, restrict your action to quantity vetting only and do the same based on data available in such automated systems within five working days for the normal cases and

two working days for urgent/operational cases. Where inventories are not maintained through automated system, conduct vetting of quantity for scaled items within seven working days.

2.2 AON stage – Competence of CFA

- a) Match the ceiling of powers given in schedules with the total likely expenditure given in the proposal. Carefully see if proposal has any additions and whether they have been taken into account for calculating the grand total.
- b) Look at the nature of item. If it is of recurring nature throughout the year, then ascertain the period for which the present case has been sent. Critically examine this issue to ensure that no splitting of expenditure is done.
- c) For processing cases of similar items but with different sizes, the relevant Govt/CGDA decision may be kept in mind as it differs from item to item. For example, in case of drugs/consumables of same nomenclature but having different sizes/strengths, MoD vide their letter dated 8.5.2006 have clarified that they will be treated as different items and will not be considered as splitting of powers, provided a certificate is given by Addl DGAFMS (E&S).
- d) Ensure that CFA's powers are being exercised by CFA himself as delegated powers cannot be re-delegated to lower authorities by CFA.
- e) Check whether or not the type of item proposed is covered under the purposes for which powers are delegated in a schedule and relevant item number of schedule, conditions given in the schedule/ govt orders / SOPs, etc.

2.3 AON stage – Funds' availability

- a) Ensure that the Minor and Detailed heads is mentioned correctly as per MoD orders and CGDA guidelines. Consult Classification Hand Book, if necessary. Also make sure that items chargeable to Capital heads are not procured under Revenue heads/powers and vice versa.
- b) Look for the confirmation given by user regarding funds' availability as per certificates given in para (c) below.
- c) Look for the progressive expenditure total given in the file and add the committed liabilities and estimated value of current case to ensure that

this total does not exceed the allotment under this head. Ensure that instructions on Budget monitoring and Committed Liability, issued vide CGDA letter PIFA/Budget/15015 dated 30.5.2007 are complied with by seeking following details –

- 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 (v0 above based on schedule of delivery and payment terms in supply orders / contracts.
- vii. Net balance available for further concurrence (iv-vi).

Note: Committed liability/commitments are defined as value of supply orders/contracts issued/concluded but payment not yet made.

- d) In view of the fact that financial commitment is not created at the AON stage, proposals for AON may be considered for concurrence in anticipation of funds becoming available subsequently, where such proposals are included in the Priority Procurement Plan (PPP), Planned Provisioning Review, Planned Repair Programme or pertain to contract for recurring requirement such as conservancy services, AMC, etc. In other cases also, concurrence for AON may be accorded, on case to case basis, keeping in view the lead time involved for the procurement. However, in all cases, financial concurrence for expenditure sanction/issue of supply order/conclusion of contract should be accorded subject to allocation being available under the concerned budget head.

Cases of AON concurred in anticipation of allocation of funds should be closely monitored by the IFA with regard to the progress of procurement. In all cases it should be ensured that the time frame suggested in para 5.20 of DPM 2006 is adhered to so as to ensure that the bids are finalised within the validity period. Normally, after the AON has been concurred/approved and the bids have been called for, there should not be occasion for extension of bid validity, for re-tendering or for dropping of the proposal on the ground that funds have not/did not become available. In case such situation(s) occur, the position should be reviewed by the IFA with suitable advice to the CFA.[Pr.IFA Instruction No. 12 of 2007].

- e) Ask for status report in respect of all carry-over cases whenever a new case is put up by users. Ensure that the carry-over cases are finalized before new projects are taken up.
- f) Correct classification of item needs to be looked at this stage. Primary among these is classification between Capital and Revenue head. MoD (Fin) ID dated 9.2.2007 and CGDA letter PIFA/RDFP/2006/Vol II dated 9.3.2007 may be seen for guidance in the matter Following may be complied with –
 - i. Any item has to be viewed a capital or revenue keeping in view of the guidelines given in Rules 90 & 91 GFR.
 - ii. Subject to an item being Capital in nature as per these guidelines, the first buy of such an item has to be booked to Capital budget if it costs more than Rs 10 lakhs and has a life of more than 7 years, in which case the proposal has to be processed accordingly. If the cost is less than Rs 10 lakhs and the life is less than 7 years, it may be booked to Revenue head.
 - iii. Any replacement of such items will be booked to Revenue head unless the replacement results in enhancement of capabilities.
 - iv. The fact that an item figures in PPP is not sufficient ground for treating it as a revenue item if it otherwise qualifies to be treated as Capital item.
 - v. Vehicles will not be bought under TAG as this would be in violation of Economy instructions.

2.4 AON stage – Basis of Estimated cost

- a) Ascertain the basis on which estimated cost of proposal has been worked out. Is it based on LPP, Budgetary quotes or Market survey? Ensure that estimates are realistic and that they have not been undervalued either to get over any allotment related issues or get clearance of lower CFAs at AON stage.
- b) Ask following questions –
 - i. How was the estimate made?
 - ii. What assumptions were made?
 - iii. What information and tools were used?
 - iv. Where was the information obtained?
 - v. How did previous estimates compare with prices paid?

- vi. Can any part of the product be eliminated?
- vii. Can a standard part replace a special part?
- viii. Can a lower cost material or method be used?
- ix. Can the product be packaged more economically?

2.5 AON stage – Mode of tendering

2.5.1 Open tender –

- i. Subject to exceptions mentioned in sub para (b) (ii), open tender enquiry should be used for procurement of estimated value of Rs. 25 lakh and above as per Rule 150 GFR-2005. For all common use items, which are normally available in open market with a wide range of sources, open tender enquiry should be the preferred mode.
- ii. Ensure that notifications are being sent to DGCIS, Calcutta for publication in their weekly issue of Indian Trade Journal and to DAVP, New Delhi for publication in leading newspapers.
- iii. Selection of newspapers may be seen to ensure that the same is done keeping in view the nature of item and likely sources of regions in the country.
- iv. See that the letter is also being sent to MoD, AHQ and NIC for publishing in their web-sites in addition to all registered suppliers for the particular range of items.
- v. See that User has got User Administration Account from NIC to host Open tender from the User end itself, in terms of MoD ID 4(2)/2004/D(Coord) dated 12.1.2006.

2.5.2 Limited tender –

- i. This method may be adopted when estimated value of the goods to be procured is up to Rupees Twenty-five Lakhs. Copies of the bidding document should be sent directly by speed post/registered post/courier/e-mail to firms which are borne on the list of registered suppliers for the goods in question as referred under Rule 142, GFR-2005. See that the number of supplier firms in Limited Tender Enquiry is more than three as per Rule 151(1), GFR-2005. Further, see that web based publicity should be given for limited tenders. Confirm whether efforts had been made to identify higher number of approved suppliers to obtain more responsive bids on competitive

basis. Ensure that the User had done the Registration of firms as per para 3.2 to 3.5 of DPM-2006.

- ii. If purchase through Limited Tender Enquiry is being adopted even where the estimated value of the procurement is more than Rupees twenty five Lakhs, look for the following -
 - a) That the competent authority has certified that the demand is urgent and any additional expenditure involved by not procuring through advertised tender enquiry is justified in view of urgency. See that the Competent Authority has also put on record the nature of the urgency and reasons why the procurement could not be anticipated.
 - b) That there are sufficient reasons, to be recorded in writing by the competent authority, indicating that it will not be in public interest to procure the goods through advertised tender enquiry.
 - c) That the sources of supply are definitely known and possibility of fresh source(s) beyond those being tapped is remote.
- iii. If it is proposed on the grounds of urgency, then seek answers as to why the demand could not be anticipated earlier.
- iv. If it is proposed on the grounds of limited/known sources, then look for the background papers related to the work done in the past. Does it have the endorsement of agencies like DGQA, DRDO, etc?
- v. If it is proposed on the grounds of public interest, then look for the justification given to do so and ask whether other sister organizations have also done the same for that item.
- vi. If it is proposed on the grounds of items having stringent MIL specs, then a detailed justification from indenting officer should be looked into.
- vii. If it is proposed on the grounds of Govt policies, then copies of relevant Govt orders may be obtained on file and analyzed.
- viii. In case of IT equipments, registered vendors of DGS&D can be selected for Limited tenders and competitive tendering followed, in terms of para 4.12 of DPM-2006.
- ix. List of proposed vendors and reasons for including some and excluding some may be gone through to ensure that sufficient

competition is generated. The list of registered vendors are to be updated every six months by DGQA and AHSPs and all Central Procurement Agencies are to be intimated of the same. It is essential that the credentials of the firms applying for registration with the defence Departments, including their financial status, the manufacturing and quality control facilities, the business ethics and their market standing are thoroughly scrutinized before registering them as an approved source of supply. In case of items of special nature, type approval by the DGQA is also required for which prototype or samples may be called for and registration of the firms for supply of these specific items should be approved only on demonstration of satisfactory performance. A vendor registered with one department of MoD can be considered for procurement by other departments of Ministry. However, specific needs of the various wings/departments are to be kept in mind and complied with. Whenever inspection by the defence inspection agency is involved type approval by the respective defence inspection authority will be essential. Whenever firm is removed from the list of vendors, their registration stands cancelled. Such removal must be promulgated to all concerned agencies so that any department of the MoD conducts no further business relation with such firms. Para 3.2, 3.4 DPM-2006.

2.5.3 PAC tendering –

- (i) Carefully see that the factors like fitness, availability, standardization and value for money have been considered by the users in PAC cases. Remember that many OEMs do not manufacture assemblies, sub-assemblies and components but out source these items. Hence, such items may be available at cheaper prices with the actual manufacturers. Confirm that users have kept themselves abreast with the proper source knowledge and are procuring items from the right source to protect the interest of the state. Remember that the spares have to be sourced from OEM or OEM approved/recommended manufacturers only in order to make the OEM responsible for the malfunctioning of the main equipment in which the spares have been fitted.
- (ii) Look for the confirmation that the said item is only available with the PAC vendor or its dealers, stockist or distributors and the detailed specifications are not available with others to manufacture the item.

- (iii) In the case of spares, ensure that the PAC is issued only to the OEM or OEM-approved manufacturers.
- (iv) Remember that when Defence PSUs/OFB have specifically developed an item for the Dept of Defence or have taken TOT, such sources could be treated at par with the PAC firms, as per Para 4.2, DPM-2006. Ensure that this is not being made applicable to procurements based on provisioning / scales.
- (v) See that PAC certificate has been issued only to OEM though the purchase can be done through the OEM's authorized distributors or dealers provided the purchase is accompanied by a proper manufacturer certification.
- (vi) Ensure that the PAC certificate date has not expired as it remains valid only for one year after the date of its issue unless cancelled earlier by the CFA.
- (vii) See that the PAC certificate contains concurrence of IFA and approval of CFA in terms of para 4.1.1.2 of DPM-2006.
- (viii) Ensure that PAC certificate has been given at a level not below the PSO / APSO/ DG / ADG at AHQ and by GOC-in-C / Corps Commander and Heads of establishments / Formations or units not below the rank of Major General in Command and below, as per Para 15, MoD letter dated 26.7.2006.

2.5.4 Single tendering -

- i. Ensure that the case for single tender i.e. for Non-PAC items is done only on the grounds of urgency or operational or technical requirements.
- ii. Detailed reasons from User may be insisted upon for justifying the reasons to go in for Single tender.
- iii. See that the selected vendor is a reputed firm.
- iv. Find out whether reasonable estimate of rates for the item has been prepared in advance by the user.
- v. Special dispensation to NCCF/Kendriya Bhandar for procuring goods on single tender basis is no longer in force vide para 2.11 of DPM-2006. However, Govt instructions exist for reserving certain items to KVIC, ACASH, CCIC and SSIs in terms of Rule 144 of GFR-2005. Look carefully to these instructions before clearing the case on single tenders.

- vi. Where many of the OEMs are not permitted to respond to RFP as per governmental rules / laws, ensure that RFP is issued only to the designated agency (Ex – M/s ROE in case of certain Russian items).

2.5.5 Rate contract –

- i. Ascertain whether the items being bought are on the DGS&D Rate contract list or not. If yes, procurement can be done by placing order against Form-131 on DGS&D Contracts.
- ii. Ascertain whether the items being bought are on the RC concluded by Central procurement agencies of MoD or Service Hqs or not. Para 8.5 of DPM-2006 may be kept in mind.
- iii. Remember that as per Amendment – I of DPM-2006, Rate contract should be concluded **for a period of up to three years with firm and fixed prices subject to application of Fall clause.**

2.5.6 Repeat Order –

- i. See that the items ordered have been delivered successfully.
- ii. See that the Original order did not cover urgent/emergent demand.
- iii. Analyze carefully the past and present order to find out whether R.O. is not being proposed to split requirement to avoid sanction of the next CFA.
- iv. Confirm that there is no downward trend in price through market intelligence.
- v. Confirm that the firm is prepared to hold the same prices terms and condition including delivery schedule as per service requirement.
- vi. Ensure that the requirement is for stores of identical nature/specification, nomenclature etc. Minor improvements in spec(s) or phasing out of products due to obsolescence may not be precluded from purview of repeat order.
- vii. Look at the date of delivery of last S.O. and ensure that proposal will be placed within **6 months** from the date of supply against previous order and only once.
- viii. Ensure that the Repeat order quantity is restricted to a maximum of **50 %** of last order quantity, both in case of indigenous procurement and import orders.
- ix. Look at the PNC minutes of last S.O. to ensure that the original order was on the basis of lowest (negotiated) price and not on delivery preference.

- x. Prefer exercising this provision only in case of PAC/Single Vendor OEM case. However, **where multiple vendors are available, necessary care should be taken in exercising the option clause.**
- xi. Find out whether where option clause in last S.O. has been availed of, at may not be desirable to place further repeat orders.

2.6 AON stage – Vetting of Tender enquiry

2.6.1 Standard format –The standard format of tender enquiry for indigenous procurement of stores, spares and replacement equipments has been placed at Appendix B of DPM-2006. Ensure that the draft TE/RFP matches this format in letter and spirit. TE/RFP could also follow general principles promulgated in DPP-2006 except the provisions relating to Field trials, GS evaluation, Technical Oversight Committee. Any conflicting provisions of existing SOPs may not be adhered to since SOPs do not have the authority to overrule the DPM-2006.

2.6.2 Standard Conditions of Contract – Para 21, Appendix B, DPM-2006 specifically mentions that SCOC of MoD will be applicable for all commercial clauses. Ensure that TE does not contain a different interpretation of any Commercial clause as compared to SCOC placed at Appendix F, DPM-2006.

2.6.3 Schedule of Requirement with Technical details – As prescribed in Appendix B, DPM-2006, see this portion of TE carefully. Ensure that it contains full and clear specifications, scope of requirement and the evaluation criteria, both for technical and commercial bids.

- a. **User requirements** – See that the TE has laid down user requirements in a comprehensive, structured and concrete manner and is broad-based. TE should express the user requirements in terms of functional characteristics.
- b. **Criteria and Parameters** – See that the Criteria for determining responsiveness of bids, criteria as well as factors to be taken into account for evaluating the bids on a common platform and the criteria for awarding the contract to the responsive lowest bidder is clearly indicated in the TE. See that minimum performance level / performance criteria are specified in Tender enquiry. In two-bid system, ensure that the performance parameters are verifiable and classified as –
 - (i) Essential parameters providing for minimum essential military requirements.

(ii) Fulfillment of essential parameters would be the basis for further consideration by TEC.

- c. **Technical specifications** - See that the specifications of the required goods are clearly stated without any ambiguity so that the prospective bidders can send meaningful bids. In order to attract sufficient number of bidders, the specification should be broad based to the extent feasible. Ascertain whether efforts were made to use standard specifications which are widely known to the industry. See that TE's formulations will not prejudice the technical choices by being narrow and tailor-made. In terms of MoD (Fin) ID no 3(3)/MO/2005 dated 9.1.2006, ensure that no brand name is specified and further that military specifications are not put, where civil specifications can serve the purpose.

2.6.4 Special Conditions of contract - Special conditions of contract are supplementary conditions applicable to the specific tender and contract. Such conditions become essential particularly in cases of contract for supply of services or even equipment. There may be a need to stipulate conditions like stage inspection, acceptance trials, installation, setting to work, and commissioning or pre-defined stages of payment for services. Ensure that such conditions are mentioned in the TE on the merits of case.

2.6.5 Nature of TE/RFP -

- a) **Single bid TE** - Ensure that the single bid is called for commercially off the shelf (COTS) items, where qualitative requirements and technical specifications are clear.
- b) **Two-bid TE** - Two-bid system may be insisted upon in cases of plant and machinery equipments, complex items like IT and communication systems and in turn key projects where QRs/technical specs cannot be clearly firmed up ab initio. In such cases, ensure that the TE lays down user requirements in a comprehensive, structured and concrete manner and should be broad-based and express the user requirements in terms of functional characteristics. Confirm that this formulation is not prejudicing the technical choices by being narrow and tailor-made.
- c) RFP should contain four parts, viz. 1st part elaborating general requirement of equipment, numbers required, time frame for deliveries, ESP, Training warranty and guarantee conditions etc.,

Second part to delineate essential and desirable parameters, the third part to outline the commercial aspects like payment terms, performance guarantee, warranty guarantee and standard contract terms and fourth part to define the criteria for evaluation and acceptance in terms of technical and commercial contents.

2.6.6 Pre -bid conference - In case of turn-key contract(s) or contract(s) of special nature for procurement of sophisticated and costly equipment, see that a suitable provision is kept in the TE for a pre-bid conference for clarifying issues and clearing doubts, if any, about the specifications and other allied technical details of the plant, equipment and machinery projected in the bidding document. Ensure that the date, time and place of pre-bid conference are indicated in TE and that this date is sufficiently ahead of bid opening date.

2.6.7 Important clauses at TE vetting stage - While format of TE has been prescribed in Appendix B, DPM-2006, yet there could be issues arising out of few important clauses, where IFA's advice will be sought. They are covered below for guidance -

- i. **EMD clause** - Ensure that Earnest money deposit has been mentioned in the case of Open or limited tender enquiry. See that EMD is being asked from the bidders except those who are registered with the Central Purchase Organization, National Small Industries Corporation (NSIC), MoD or concerned Army department. See that amount of EMD is ranging only between two percent to five percent of the estimated value of the goods to be procured. The bid security may be accepted in the form of Account Payee Demand Draft, Fixed Deposit Receipt, Banker's Cheque or Bank Guarantee from any of the commercial banks in an acceptable form, safeguarding the purchaser's interest in all respects. See that EMD is remaining valid for a period of forty-five days beyond the final bid validity period.
- ii. **Price preference and Purchase preference clause** - Ensure that for cases coming under the ambit of Para 2.12 and 2.13 of DPM-2006, Tender enquiry mentions the standing govt instructions related to Price preference to SSIs, Purchase preference to CPSEs, etc.
- iii. **Payment terms** - Ensure that the standard clause of 95% / 5% has been kept in TE. You may agree for 100% payment after delivery / accounting terms also. Depending on merits of the case, consider the part-supply payment terms also with milestones clearly notified in RFP.

Do not agree for including Advance terms in TE in the first place. It can be included only in exceptional circumstances and that too only upto 15% against BGB, as per Para 7.11, DPM-2006.

- iv. **Option clause** – Agree to consider for additional quantity only up to a **maximum of 50%** of the originally contracted quantity at the same rate and terms of the contract during the original period of contract provided this clause has been incorporated in the original contract with the supplier. Ensure that the percentage being included in Option clause will not result in exceeding the powers of CFA. See the Mode of tendering being done in the case. In case of single vendor OEM, agree for option clause up to 50% subject to there being no downward trend. However, in multi vendor contracts, scrutinize carefully before agreeing for option clause up to 50%.
- v. **Risk and Expense Purchase** - Risk and expense purchase is undertaken by the purchaser in the event of the supplier failing to honour the contracted obligations within the stipulated period and where extension of delivery period is not approved. Risk purchase at the cost and expense of the supplier may not be always a practical proposition as it may not be feasible to enforce recovery without legal action. This clause is rarely invoked in case of import contract for this reason. In such cases where the item is of proprietary nature or there is only one qualified firm to supply the items and there is remote possibility of procuring the same item from an alternative source, ensure that instead of having risk and cost clause in such contract, the TE has performance guarantee clause to cover any such default. (see para 7.14 & 7.14.1 of DPM-2006)
- vi. **Force Majeure** - Present orders of the Government stipulate that force majeure clause should not be included in the TE or the contract. When a supplier insists on including force majeure clause, this should be included only in the Government approved format placed at **Appendix 'H'** of DPM-2006 in terms of para 7.15 of DPM-2006.
- vii. **DCF clause** – If DCF techniques are to be used for evaluating long-term contracts, then, a clause may be incorporated in the TE as follows: -
“The buyer reserves the right to evaluate the offers received by using Discounted Cash Flow method at a discounting rate of _____%”.

viii. **Price variation clause** – Normally contract should be entered into on firm price basis. Nevertheless in the fluctuating market conditions, supplier often quotes variable prices, particularly when contract period exceed 18 months as per Para 13.12, DPM-2006. DGS&D Manual has provided Standardised Price Variation Clauses. Ensure that one of these clauses is indicated in the RFP. A sample clause is indicated below for guidance:-

$$P1 = P0 (a+b L1/ LO + c M1/M0) - P0$$

Where P1 = Adjustment amount payable to the contractor

P0 = Contract Price (Base Price)

a = Fixed element representing Profit & Overloads in contract price

b = Estimated % of labour component

c = Estimated % of Material component

LO & L1 = Labour indicates applicable to appropriate Industry on the base date & date of adjustment respectively.

M0 & M1 = Material indicates for raw material on base date & date of adjustment.

The sum of the three coefficients a, b & c shall be (1)

ix. **ERV clause** – In case delivery period is exceeding one year from the date of contract involving import (foreign exchange), ensure that Exchange Rate Variation clause has been included. Ensure that the offer is indicating import content also.

x. **Book examination clause** – Ensure that TE contains a 'Book Examination Clause' for high value single vendor cases.

2.6.8 Clarification of TE – If a clarification on the TE had to be issued based on a query raised by a particular vendor, then ascertain that such request, in writing, was received at least 14 days prior to the date of opening of tenders. Also, see that copies of query and clarifications given were sent to all prospective bidders who had received the bidding documents.

2.6.9 Bid validity – Ensure that the bid validity is 90 days in case of single bid system and 120 days in case of two-bid system, from the date of opening of tender.

2.6.10. Amendment to TE – In case TE was vetted and later an amendment to TE was required to be issued by the purchaser either due to change in required quantity or specification or as a result of clarification to the query of the supplier,

then ensure that it is notified in writing to all bidders and reasonable extension to last date of submission of bids is given.

2.6.11 Extension of Tender Opening period – See that time allowed for submission of tender is 3 weeks (minimum) for LTE, 4 weeks (minimum) for OTE, 6 weeks for GTE with a maximum period of 3 months. Any extension of Tender opening period beyond this would require approval of next level CFA. Ensure that such extension and amendment of tender documents is being published in Indian Trade general/National Dailies/Departmental Web sites.

While vetting the draft tender enquiry, it will be seen that the following requirements have been met:-

- i. Time and date of receipt and opening of tenders has been clearly indicated as per the guidelines.
- ii. The required number of copies of drawings/specifications is proposed to be made available to the tenderers in case the store is required to non-standard specifications/drawings.
- iii. The authority to whom tender sample is required to be furnished for testing and the time within which the sample should be submitted for inspection have been indicated in the enquiry. (the time required for sample inspection must invariably be factored in while fixing the delivery period)
- iv. The inspecting authority is correctly indicated.
- v. Where purchase of large quantities of stores is involved or where the shelf life of the store is limited, delivery may be specified in installments, depending on staggered requirements of indenter.
- vi. In case of purchase of imported stores the appropriate shipping causes are incorporated. Other special condition viz. payment terms for FOB/FAS contracts etc. should also be indicated in the enquiry.
- vii. The requirement of furnishing performance guarantee to cover warranty period has been indicated in respect of plant and machinery and other specified stores. (Performance bank guarantee of at least 5% of the contract value has to be provided by the firm. PBG should remain valid for a period of 60 days beyond the date of completion of contract including warranty).
- viii. The sole arbitration clause has been indicated in TE.
- ix. A clause seeking confirmation from the bidders for acceptance of part quantity has been included.
- x. Clause regarding the purchaser's right of rejection of any or all tenders without assigning any reason has been included in the TE. This clause can

be invoked in cases where it is discovered after opening of tenders that the requirement is ceased to exist or there is a major change in technical specifications.

- xi. The clause about imposition of liquidated damages of 0.5% per week or a part thereof subject to a maximum of 5% of the order value of undelivered goods has been included.
- xii. Clause about hardware/software upgradation has been included in TE particularly in respect of IT items, other high technology items and EPABX systems. (this binds the bidder to provide all the upgrades free of cost if the same have been launched free of cost by the OEM as a matter of policy otherwise the purchaser has the option to get the upgrades by making necessary payments)
- xiii. An uptime clause has been included in case of electronics items, IT items, exchanges etc. An uptime clause indicating a minimum uptime of 95% during warranty/AMC may be included in the TE. In case of non-adherence to this clause, the bidder will be subject to the payment of penalty, which may be specified in the TE.
- xiv. The AMC clause has been included in the TE where required asking the bidder to give confirmation of AMC for the life of the equipment specifying the minimum years for which AMC should be provided and the rate in terms of percentage of cost of equipment for the same.
- xv. The list of vendors has been furnished. It will be verified to see whether all past suppliers and respondents are included for floating TE. If not, reasons for the same are recorded.

3. Advanced issues at AON stage

3.1. The advanced issues mentioned in this chapter are akin to desirable QRs. These are meant for higher level IFAs and that too on as required basis. The topics have been only given brief introduction, as each one of them requires extensive readings for effective use in procurement. This is only an attempt to familiarize IFAs with advanced themes, which can be pursued on their own depending upon level, aptitude and requirements of individual IFA.

3.2. Necessity angle & Quantity vetting – There are several means to probe these aspects from superior techniques, some of which are mentioned briefly –

a. Economic Stock Levels

- i. An efficient materials-procurement system also includes the means to ensure that stocks are obtained and maintained at economic levels and in quantities that prevent interruption in the flow of needed resources. The aim is to avoid the disruptive financially and operationally. The cost of procurement investments must be balanced against the consequences of stock-outs.
- ii. Excessive stocks are wasteful in that they generate unproductive use of capital and build up surpluses that may become obsolete. Unnecessary administrative and operational overhead such as charges for additional storage space, handling, security and stock preservation also result from overstocking. Some tangible and intangible costs as well as other disadvantages also result from insufficient stocks. This overhead is often overlooked because it is hidden as a not readily measurable variable. Short inventories also result in delays, production interruptions and labour problems.
- iii. To determine the most economic quantity to order, the following factors should be taken into consideration :
 - order price
 - order-processing cost
 - cost of stock holding
 - lead time
 - rate of usage
 - usage/value factor

- iv. The usage/value factor is a key guide in determining the size and frequency of the various orders that must be placed. This is based on the concept that additional controls must be placed on higher-value stocks and on inventory items with the largest volume movement.
- v. Inventories for different types of users may vary considerably with the categories of stock items carried. However, experience demonstrates that about 20 percent of all individual stock items in any inventory represent 80 percent of the total inventory value. This means that the larger number of inventory items representing lower total value require a smaller investment to enlarge safety stock levels. Since larger inventories can be maintained, the time periods between reordering can be lengthened. Conversely, the higher-value stock items require a high investment cost, safety stock levels should be as low as practicable, minimum economical purchases should be made; and physical verification of the book inventory should be carried out as frequently as possible. Although closer and more frequent controls on higher value stock are required, that does not mean that fewer controls should be exercised on the lower-value items.
- vi. The usage/value analysis procedure is known as the A-B-C system; it begins with the establishment of the classification of stocks in a descending order of value to provide different levels of control as illustrated in Table 3.

vii. **Table : Usage/value analysis A-B-C system**

Classification	Percentage of stock	Nature and level of Control
A	5	65
High usage; low safety stock levels; frequent physical verification; minimum economic quantity ordered; close schedule control and review (daily if possible).		
B	15	15
Control not as tight as for "A" items, but		

tighter than for "C" items.

C
Low usages; high inventory levels; purchases in large quantities at less frequent intervals
minimize clerical efforts to control; larger safety stocks; low stock-out risks.

80

20

b. Lead time and safe stock level

- i. Lead time is the time that elapses between ordering goods, receiving them and placing them into use at the point of need. This delay factor includes the time it takes to assess the needs, prepare and place the order, process the order and to ship the goods, unload the goods at the port of destination, discharge from the port and deliver to the user. Stock-control systems are also influenced by fluctuation in usage rates; the more severe the fluctuation, the more difficult it is to stabilize the control. Therefore, buffer or safety stock levels can be established to cushion the effect of anticipated fluctuations.
- ii. The safe level of stock is dependent upon the rate of usage and the probability of shortage. Data on demand and usage trends provide the necessary guide in assessing the level of adequate stocks. Safe stock level may be increased in proportion to the lead time, the assumption being that the longer the lead time, the greater the risk of a stock-out. This proportion can be established by setting "low" or "high" safe stock margins as illustrated in the following table;

iii. **Table - Lead time and safe stock level**

Lead time;	Safe stock level	
	"Low"	"High"
Up to 1 month	1 week's usage	2 week's usage
Up to 2 months	2 week's usage	1 month's usage
Up to 4 months	1 month's usage	2 month's usage
Up to 6 months	2 month's usage	3 month's usage

- iv. In order to prevent the stock level for a particular item from sinking to the point where it is no longer safe, action to replenish must be

initiated at some point above the safe stock level. That point is usually referred to as the reorder point and is expressed as a quantity of the item in question. A simple formula for determining the reorder point is as follow;

$$\text{ROP} = (\text{DU} \times \text{LD}) + \text{S}$$

ROP = reorder point or minimum quantity in stock to maintain safe stock level;

S = safe stock level;

LD = lead time in days;

DU = daily usage.

c. Economic purchase order quantity (EOQ)

- i. The mathematical formula for Economic Order Quantity (EOQ) can be used by IFA as a tool in examining proposal at AON stage. It is based on the fact that the EOQ is that quantity at which the carrying cost equals the acquisition cost, and this represents the lowest total cost per unit of material. This is the basic principle for economic quantity buying and is true regardless of the factors used
- ii. Several formulas have been developed for the rapid calculation of the economic purchase order quantity. The following simplified formula is often used:
$$\text{EOQ} = \frac{2AC}{IP}$$

EOQ = economic purchase order quantity in units;

A = annual usage in units (metres, gallons, kilos);

C = cost of placing and receiving an order
(clerical and handling processes);

I = inventory carrying cost
(expressed as percentage of the average value of inventory);

P = purchase price per unit, including freight & discounts
- iii. In Defence services, the ordering costs and carrying costs are difficult to determine and are seldom exactly known, unless exact cost data has been maintained. Often, a Defence Organization may not be applying formal inventory methods and may wish to do so but may not be willing to wait for a long period in which costing data can

be collected. The EOQ concept can still be used by IFAs with considerable savings. Let us consider the EOQ model when the order quantity is expressed in rupees.

$$QC = \sqrt{\frac{2ASC}{i}}$$

In the formula AC represents the annual usage value, that is the number of units of an item used annually multiplied by the cost per unit. This data is normally available or can be computed from store accounting ledgers. Even though the ordering cost S and the carrying cost I is not known, we can write the relationship as:

$$QC = k\sqrt{AC}$$

where k represents $\frac{\sqrt{2S}}{\sqrt{i}}$

$$\text{Number of orders } N = \frac{AC}{QC}$$

Substituting for QC , we get

$$N = \frac{AC}{k\sqrt{AC}} = \frac{\sqrt{AC}}{k}$$

$$\text{Average stock for any one item} = \frac{QC}{2} = \frac{k\sqrt{AC}}{2}$$

Because k is a constant for any single item, we may consider k as a constant for the entire inventory of items. We may say

$$\sum N = \sum \frac{\sqrt{AC}}{k}$$

Total numbers of orders = Sum of square root of annual usage values divided by k

$$\text{Total average stock} = \frac{k}{2} \sum \sqrt{AC}$$

- d. Marginal return principles** – The allocation of resources to various programmes may require application of marginal return principles. The concept is that beyond a point the allocation of more resources to a programme brings less and less returns. As the resources are scarce and the needs are many, the principle of equi-marginal returns can be followed for affecting savings. This will require the IFA to indulge in meticulous costing and valuation of benefits at the margin. The concepts of Marginal cost and Marginal Product will have to be applied with due care by IFA in close consultation with the user. An understanding of these concepts is important because they are the key factors to the

sensible resolution of many requirements issues. IFAs must not view the problem of military requirements determination as one of calculation of the forces required to achieve an arbitrarily selected objective or level of effectiveness. It is more sensible to reduce the problem to one of judging at what point the extra effectiveness resulting from more forces – the Marginal Product – is no longer worth the extra effort – the Marginal Cost. This is necessary because there are always competing needs and the resources that can be made available are limited. The amount saved could be used for some other resources whose capabilities can be exploited more beneficially by investing in additional quantities.

- e. **Probing Assumptions** – Even apparently simple calculations involved in projecting the requirement of equipment in defence are sometimes based on assumptions, which can bear deeper scrutiny. An analysis by IFAs here is important because it is possible that the assumptions are based on liberal assessment of basic requirement but on pessimistic calculation of other operational parameters, which, make it necessary to build many safety parameters. Both may lead to an increase in projected requirements of the equipment, much beyond what is essential. IFAs must make efforts in such cases – particularly when there are elements of judgment involved behind particular assumptions – to get the assumptions more explicit and seek an alternative set of assumptions based on different parameters. The CFAs will then be able to take a view based on their own judgment as to which assumptions to adopt for finalizing the requirements.

- f. **Analyzing Induction and de-induction profiles** - Very often when a proposal is made for induction of new equipment, adequate attention is not paid to question of what happens to the existing equipment. If useful life is still left in the existing equipment, and these can be utilized with benefit, then phasing of induction of new equipment should be considered carefully by IFAs at the time of concurring the case regarding the induction of new equipment. IFAs should carefully analyze the proposed de-induction profile of existing equipment before deciding whether or not to spend substantial amounts on their upgrading. IFAs need to take assurance that adequate exploitable life is available from the

equipment that is being upgraded, so that the amount spent per equipment is worthwhile from the cost-benefit angle. Often this point is not given due attention by the users in their enthusiasm for buying latest equipments. Hence the need for IFAs to be careful in seeing this issue. The de-induction profile of equipment is also important to decide upon the replacement needs. IFAs have to look into it carefully as there may be assumptions involved in a particular de-induction profile which can be questioned. The tendency to exaggerate the replacement needs on the basis of depletion of existing assets is expected from the users and therefore, IFAs need to give particular attention before deciding upon the quantitative requirements of new equipment.

- g. Decision Analysis** - Decision Analysis activities provide the basis for evaluating and selecting alternatives when decisions need to be made. Decision Analysis involves selecting the criteria for the decision and the methods to be used in conducting the analysis. For example, during system design, analysis must be conducted to help choose amongst alternatives to achieve a balanced, supportable, robust, and cost effective system design. These analyses include, but are not limited to, trade studies, models and simulation, supportability analysis, level of repair analysis, post fielding support analysis, repair versus discard, and cost analysis. These studies should be augmented with virtual and/or physical prototypes, where applicable, prior to making decisions on best alternative. Decision criteria will be influenced by such things as interoperability constraints; size; transportability requirements; maintenance concept; affordability; reliability, availability, and maintainability goals; and schedule.

3.3. Estimating Value of Proposal

- (a) Lifecycle Costs** - For a defense acquisition program, Lifecycle cost consists of research and development costs, investment costs, operating and support costs, and disposal costs over the entire Lifecycle. These costs include not only the direct costs of the acquisition program, but also include indirect costs that would be logically attributed to the program.

- i. When programs are less mature (in pre-systems acquisition or system development and demonstration), program cost estimates that are supporting the acquisition system normally are focused on Life-cycle cost or elements of Life-cycle cost. Examples of such cases where cost estimates support the acquisition system at a macro level include affordability assessments, analyses of alternatives, cost-performance trades, and establishment of program cost goals. In addition, more refined and discrete Life-cycle cost estimates may be used within the program office to support internal decision-making such as evaluations of design changes and assessment of produceability, reliability, maintainability, and supportability considerations. However, as programs mature (transition from production and deployment to sustainment), cost estimates that support the acquisition system or program management in many cases may need to be expanded in scope to embrace total ownership cost concepts.
- ii. In Defence procurements, Lifecycle cost can be defined as the sum of four major cost categories, where each category is associated with sequential but overlapping phases of the program Lifecycle. Lifecycle cost consists of (1) research and development costs, associated with the Concept Refinement phase, Technology Development phase, and the System Development and Demonstration phase, (2) investment costs, associated with the Production and Deployment phase, (3) operating and support costs, associated with the sustainment phase, and (4) disposal costs, occurring after initiation of system phase-out or retirement, possibly including demilitarization, detoxification, or long-term waste storage.
- iii. Research and Development consists of development costs incurred from the beginning of the conceptual phase through the end of the System Development and Demonstration phase, and potentially into Low-Rate Initial Production. Typically includes costs of concept refinement trade studies and advanced technology development; system design and integration; development, fabrication, assembly, and test of hardware and software for prototypes and/or engineering development models; system test and evaluation; system engineering

- and program management; peculiar support (peculiar and common support equipment, peculiar training equipment/initial training, and technical publications/data) and initial spares and repair parts associated with prototypes and/or engineering development models.
- iv. Investment consists of production and deployment costs incurred from the beginning of low rate initial production through completion of deployment. Typically includes costs associated with producing and deploying the primary hardware; system engineering and program management; peculiar support (peculiar and common support equipment, peculiar training equipment/initial training, and technical publications/data) and initial spares and repair parts associated with production assets; and military construction and operations and maintenance associated with system site activation.
- v. Operating and Support consists of sustainment costs incurred from the initial system deployment through the end of system operations. Includes all costs of operating, maintaining, and supporting a fielded system. Specifically, this consists of the costs (organic and contractor) of personnel, equipment, supplies, software, and services associated with operating, modifying, maintaining, supplying, training, and supporting a system in the Defence inventory. This includes costs directly and indirectly attributable to the system (i.e., costs that would not occur if the system did not exist), regardless of funding source or management control. Direct costs refer to the resources immediately associated with the system or its operating unit. Indirect costs refer to the resources that provide indirect support to the system's manpower or facilities. For example, the pay and allowances reflected in composite standard rates for a unit-level maintenance technician would be treated as a direct cost, but the (possibly allocated) cost of medical support for the same technician would be an indirect cost.
- vi. Disposal consists of costs associated with demilitarization and disposal of a military system at the end of its useful life. These costs in some cases represent only a small fraction of a system's Lifecycle cost and may not be considered when preparing Lifecycle cost estimates. However, it is important to consider demilitarization and

disposal early in the Lifecycle of a system because these costs can be significant, depending on the characteristics of the system. Costs associated with demilitarization and disposal may include disassembly, materials processing, decontamination, hardware, collection/storage/ disposal of hazardous materials and/or waste, safety precautions, and transportation of the system to and from the disposal site. Systems may be given credit in the cost estimate for resource recovery and recycling considerations.

(b) Total Ownership Costs - The concept of total ownership cost is related to LCC, but broader in scope. Total ownership cost consists of the elements of Lifecycle cost, as well as other infrastructure or business process costs not necessarily attributable to the program.

- i.** Total ownership cost consists of the elements of a program's Lifecycle cost, as well as other infrastructure or business processes costs not necessarily attributable to the program. Infrastructure is used here in the broadest possible sense, and consists of all military department and defense agency activities that sustain the military forces assigned to the combatant and component commanders. Major categories of infrastructure are support to equipment (acquisition and central logistics activities), support to military personnel (non-unit central training, personnel administration and benefits, and medical care), and support to military bases (installations and communications/information infrastructure).
- ii.** In general, traditional Lifecycle cost estimates are in most cases adequate in scope to support decisions involving system design characteristics (such as system weight, material mix, or reliability and maintainability). However, in special cases, depending on the issue at hand, the broader perspective of total ownership cost may be more appropriate than the Lifecycle cost perspective, which may be too narrow to deal with the particular context. For a defense acquisition program, Lifecycle costs include not only the direct costs of the program, but also include indirect costs that would be logically attributed to the program. In a typical Lifecycle cost estimate, the estimated indirect costs would include only the costs of infrastructure

support specific to the program's military manpower (primarily medical support and system-specific training) and the program's associated installations or facilities (primarily base operating support and facilities sustainment, restoration and modernization). Many other important infrastructure activities (such as recruiting and accession training of new personnel, individual training other than system-specific training, environmental and safety compliance and most management headquarters functions) are normally not considered in the scope of a traditional acquisition program Lifecycle cost estimate. In addition, important central (i.e., wholesale) logistics infrastructure activities such as supply chain management are implicitly incorporated in a traditional Lifecycle cost estimate, but their costs are somewhat hidden (because these costs are reflected in the surcharges associated with working capital fund arrangements and are not explicitly identified). However, there could easily be cases where consideration of such infrastructure activities would be important and would need to be explicitly recognized in a cost estimate or analysis. Examples of such cases are cost analyses tied to studies of alternative system support concepts and strategies; reengineering of business practices or operations; environment, safety, and occupational health considerations; or competitive sourcing of major infrastructure activities. In these cases, the traditional Lifecycle cost structure may not be adequate to analyze the issue at hand, and the broader total ownership cost perspective would be more appropriate. For such instances, the typical Lifecycle cost tools and data sources would need to be augmented with other tools and data sources more suitable to the particular issue being addressed.

(c) Risk Management - Risk management is an important tool in acquisition program success. The purpose of addressing risk on programs is to help ensure program cost, schedule, and performance objectives are achieved at every stage in the life cycle and to communicate to all stakeholders the process for uncovering, determining the scope of, and managing program uncertainties. Since risk can be associated with all aspects of a program, it is important to recognize that risk identification is part of the job of everyone and not just the systems engineer or program manager.

- i. Risk is a measure of future uncertainties in achieving program performance goals and objectives within defined cost, schedule and performance constraints. Risk can be associated with all aspects of a program (e.g., threat, technology maturity, supplier capability, design maturation, performance against plan,). Risk addresses the potential variation in the planned approach and its expected outcome. Risks have three components: a. A future root cause (yet to happen), which, if eliminated or corrected, would prevent a potential consequence from occurring; b. a probability (or likelihood) assessed at the present time of that future root cause occurring; and the consequence (or effect) of that future occurrence. A future root cause is the most basic reason for the presence of a risk. Accordingly, risks should be tied to future root causes and their effects.
- ii. **Risk Management** - Risk Management is the overarching process that encompasses identification, analysis, mitigation planning, mitigation plan implementation, and tracking. Risk management begins at the earliest stages of program planning and continues throughout the total life-cycle of the program. Additionally, risk management is most effective if it is fully integrated with the program's systems engineering and program management processes—as a driver and a dependency on those processes for root cause and consequence management. A common misconception, and program office practice, concerning risk management is to identify and track issues (vice risks), and then manage the consequences (vice the root causes). Risks should not be confused with issues. If a root cause is described in the past tense, the root cause has already occurred, and hence, it is an issue that needs to be resolved, but it is not a risk.
- iii. **Risk Management Process** - The risk management process is continuously accomplished throughout the life cycle of a system. It is an organized methodology for continuously identifying and measuring the unknowns; developing mitigation options; selecting, planning, and implementing appropriate risk mitigations; and tracking the implementation to ensure successful risk reduction. Effective risk management depends on risk management planning; early identification and analyses of risk; early implementation of corrective

actions; continuous monitoring and reassessment; and communication, documentation, and coordination.

3.4. Mode of Tendering -

(a) **Verification of Financial Standing** - There could be occasions when it will be necessary to verify financial standing of vendors as a part of pre-qualification exercise. If IFAs are to assist in this job, then they can do it as under -

i. This can be done by calling Banker's Report and valid & latest Income Tax Clearance Certificate, if not already furnished with the tender documents.

ii. **Banker's Report:** A report can be obtained from the Bank(s) concerned in the format given below regarding financial standing of the firm. The Bank's Report could be dispensed in respect of firms, which are covered by statutory auditing process. In all other cases, the report can be called confidentially in respect of firms, which are not covered by statutory auditing requirements. However, if a Report from Bank does not come, the financial aspects on the basis of balance sheets can be considered by IFAs.

To

The Manager,

SUB: Reports on the financial standing of contractors.

Dear Sir,

The under-mentioned firm is being considered for issue of Tender Enquiry by this organization and have indicated you as their Banker. I shall be glad if you will furnish me with a report of their financial standing and say whether their dealing with your bank have been of a sufficiently high order to enable them to carry out satisfactory contracts involving sums amounting:

- (a) Upto Rs. 2,50,000/-
- (b) Upto Rs. 5,00,000/-
- (c) Upto Rs. 10,00,000/-
- (d) Upto Rs. 15,00,000/-

- (e) **Upto Rs. 25,00,000/-**
- (f) **Above Rs. 25,00,000/- (Unlimited)**

2. Any information you may furnish in this connection will be treated strictly confidential. Your reply should be unambiguous and should clearly state the category for which you consider them financially sound.

3. Please quote this office reference and date in your reply.

Yours faithfully

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(b) **Risk Analysis** – If a supplier does not fulfill his obligation in the realization of complex and extensive projects, this can lead to considerable damages or loss for a military organization. To limit the risk of problems as much as possible, the Ministries of Defence of several European countries sometimes carry out an analysis of the risk related to doing business with suppliers for strategic project. In general we can distinguish three categories of risks -

- i. **Technical risk** regarding the suitability/professionalism of the management, the means of production, the skills, tools and testing equipment of the company in question, for the manufacture of the required goods and services, which must meet the agreed requirements and must be delivered within the agreed term.
- ii. **Quality risk** with regard to the quality management of the company in general and the quality control system of the project in question in particular.
- iii. **Financial risk** related to the degree in which the company is considered to function soundly and effectively for the duration of the project. Of importance in this respect are: financial condition, investment elasticity and a reasonable financial forecast.
- iv. In large and technologically complex projects the risks can be so great that additional measures are required. These measures should consist of at least periodical preventive audits aimed at assessing the technical capacity and quality control (the so-called 'pre-award survey'), to be conducted by the military; and the financial status of the company in question, to be conducted by the accounting department. This latter analysis concerns the actual and the anticipated results of the company activities (such as turnover and company results) and ratio analysis of several financial parameters (such as liquidity and solvency).

(c) Mandatory Purchase from certain sources – Product Reservation Policy of Govt

- i. Khadi Goods/Handloom Textiles:** The Central Government has reserved all items of hand-spun and hand-woven textiles (Khadi goods) for exclusive purchase from Khadi & Village Industries Commission (KVIC). Government has also reserved all items of handloom textiles including Barrack Blankets for exclusive purchase from KVIC or notified handloom units through the Association of Corporations and Apex Societies of Handlooms (ACASH) and Women's Development Organization (WDO). The handloom textile items are to be purchased from KVIC to the extent they can supply and the balance from the handloom units of ACASH, to the extent these units can make supplies. Left over quantity, if any, may be purchased from other sources. In the case of KVIC, the rates are fixed by certification committee, and the rates so fixed are reviewed by the Cost Accounts Branch of the Ministry of Finance. In the case of ACASH, the final price will be calculated by ACASH and fixed by the Ministry of Textiles by associating a representative of the Chief Accounts Office of Department of Expenditure, Ministry of Finance. The Central Purchase Organization (e.g. DGS&D) also enters into long term contracts with KVIC and ACASH for items of recurrent demands and lays down terms and conditions therein. For other items, the purchase from both KVIC and ACASH should be made on single tender basis. Normal inspection and other procedures shall apply for procurement through KVIC/ ACASH. Testing arrangements will be provided by KVIC/ ACASH or by their notified units and where the same are not available; testing charges for testing outside at approved laboratory should be borne by KVIC/ ACASH/ their units. All relevant details in this regard are available with DGS&D.
- ii. Reserved Products of SSI:** The Government has also reserved some items for exclusive purchase from Small Scale Sector. The Ministries/Departments are to purchase such products from these notified agencies/suppliers only. The Government reviews the lists of such reserved items and the applicable procedures for purchasing the same from time to time. The tender enquiry document should clearly indicate that the purchase will be made from the suppliers falling in the category of KVIC, ACASH, and Small Scale Units registered with National Small Industries Corporation (NSIC). In the process of procurement, other

things being equal, the purchase preference would be in favour of KVIC/ACASH/SSI in that order. (Note: KVIC and ACASH are treated on par with SSI units registered with NSIC and DGS&D.) Special dispensation available to Kendriya Bhandar (KB) and National Consumer Cooperative Federation (NCCF) for procurement of stationery and consumables before the introduction of GFRs 2005, which has since been terminated, is under review. While making purchase of goods falling in these categories, IFA should check the latest directives in this regard for necessary action.

(d) Preferential Purchase from certain sources Price Preference

- i.** As per the extant rules, when acceptable offers are received against an *ad-hoc* requirement of unreserved goods (i.e. goods not covered under para above) from various categories of suppliers, including Large Scale Sector, Public Sector Undertakings and Small Scale Sector, the offer from the Small Scale Sector, which is registered with National Small Industries Corporation (NSIC) or with Directorate General of Supply and Disposal (DGS&D) is entitled for price preference upto 15% over the offer of Large Scale Sector and 5% over the offer of Public Sector Undertaking, provided the offers under consideration are otherwise clear for acceptance in all respects. (Example: The evaluated cost of the lowest acceptable offer, which is from a Large Scale Sector is Rs.100/-. The evaluated cost of an acceptable offer from a Small Scale Unit, which is registered with NSIC / DGS&D is Rs.115/-. This SSI is entitled to get the order at its quoted price).
- ii.** However, the price preference admissible to the SSI unit is not mandatory. It is to be decided separately for each tender on merits of each case, in consultation with Finance, and a mention to that effect should be made in the Notice Inviting Tenders (NIT)/Request for Proposal (RFP). The price preference is accorded to the deserving SSI units as an incentive to grow; but it should not promote inflation, profiteering or misuse of SSI units as conduits. In case the SSI unit in view has established itself as a supplier of the required goods on competitive terms and enjoys advantage(s) over Large Scale Sector, no price preference need be considered. Where the NSIC / State Development Corporations themselves quote on behalf of some SSI units, such offers will be

considered as offers from SSI units registered with the DGS&D/NSIC. An SSI Unit will not get any price preference over another SSI Unit.

- iii. Price preference facility to SSI Units will, however, not apply to the procurement of the under mentioned goods: -

Paint items for the Railways

Drug items

Medical and Electro-medical equipment

Requirements of Defence, where inspection is to be carried out by the Defence Inspection Organization.

Items where technical competence, capacity and manufacturing facilities are required to be verified before placement of order.

- iv. Before considering any price preference to Small Scale Sector, the purchase organization should check the latest directives in this regard for necessary action.

(e) Preferential Purchase from certain sources - Purchase Preference to Central Public Sector Undertakings

As per the extant government policy, the Central Public Sector Undertaking (CPSU) gets purchase preference upto 10% over the Large Scale Private Units (vide Department of Public Enterprises O.M. No. DPE.13(12)/2003-Fin.Vol.II dated 18.7.2005). Example: Against an ad-hoc requirement, the evaluated cost of the lowest acceptable offer, which is from a Large Scale Sector is Rs.100/-. The evaluated cost of an acceptable offer from a CPSU, is Rs.110/-. As per the extant policy, the CPSU will be offered the price of Rs.100/- and if it accepts the same, order will be placed on it (CPSU) at that price (Rs.100/-).

(f) Preferential purchase policy for certain medicines: Government has approved (vide Department of Chemicals & Petrochemicals OM No. 50013/1/2006-SO(PI-IV) dated 7th August, 2006) grant purchase preference exclusively to Pharma CPSEs and their subsidiaries in respect of 102 specified medicines manufactured by them. The salient features of this Purchase Preference Policy (PPP) are as under:

- i. PPP in respect of a maximum of 102 medicines would be applicable to purchases made by Ministries / Departments, PSUs, Autonomous Bodies, etc. of the Central Government It would be valid for a period of five years.

- ii.** This would also be applicable to purchase of 102 drugs made by State Governments under health programmes which are funded by Government of India. (e.g. purchases under National Rural Health Mission etc)
- iii.** PPP will extend only to Pharma CPSEs and their subsidiaries (i.e. where Pharma CPSEs own 51 % or above shareholding).
- iv.** It would be applicable to a maximum of 102 medicines, The list of 102 medicines would be reviewed and revised by Department of Chemicals & Petrochemicals as and when required taking care not to include any item reserved for SSI units.
- v.** The Purchasing Departments / PSUs / autonomous bodies etc. of the Central Government may invite limited tenders from Pharma CPSEs and their subsidiaries or purchase directly from them at NPPA certified / notified price with a discount upto 35%.
- vi.** The purchasing departments would purchase from Pharma CPSEs and their subsidiaries subject to their meeting Good Manufacturing Practices (GMP) norms as per Schedule 'M' of the Drugs & Cosmetic Rules. If no Pharma CPSE is forthcoming to supply these 102 medicines, the purchasing departments would be at liberty to purchase from other manufacturers.
- vii.** If the Pharma CPSEs or their subsidiaries which have the benefit of PPP, fail to perform as per the purchase order, they would be subject to payment of liquidated damages or any other penalty included in the contract
- viii.** The medicines covered under Drug & Price Control Order (DPCO) would be supplied at the rates fixed by National Pharmaceuticals Pricing Authority (NPPA) rates minus discount up to 35 per cent.
- ix.** In case of medicines not covered under DPCO, prices would be got certified from NPPA, only for the limited purpose of supply to Central Government Departments and their Public Sector Undertakings, autonomous bodies etc. On the certified price, Pharma CPSEs and their subsidiaries would provide discount up to 35%.
- x.** The Purchase Preference Policy (PPP) as contained in Department of Public Enterprises O.M. No. DPE.13(12)/2003-Fin.Vol.II dated 18.7.2005 would not be applicable to Pharma CPSEs.

- xi. Before considering any such purchase preference, the purchase organization should check the latest directives in this regard for necessary action. Purchase Preference provision shall invariably be part of the Notice Inviting Tender (NIT).

3.5. Vetting of RFP

a) **Exchange Rate Variation Clause** – In indigenous contracts, where there is an import content, ERV clause can be provided. ERV clause can be framed according to the specific unique requirements of the contract. While calling for information at the RFP stage / formulation of ERV clause in the contracts, following factors can be taken into consideration depending upon the requirements of the individual contracts:-

- a) Year wise and major currency wise import content break up can be taken.
 - i) Based on information given above, the cut off date/dates within the Delivery schedule for the imported material can be fixed for admissibility of ERV.
 - iii) Detailed time schedule for procurement of imported material and their value at the FE rates adopted for the contract can be asked from the vendors as per the format given below :-

YEAR	TOTAL COST OF IMPORTED MATERIAL	FE CONTENT – OUT FLOW (EQUIVALENT IN RUPEES IN CRORES)			
		DOLLAR DENOMINATED	EURO DENOMINATED	POUNDS DENOMINATED	OTHER CURRENCIES DENOMINATED (As applicable)

- iv) ERV clause should not be applicable in case delivery periods for imported content are subsequently to be refixed /extended.
- v) For purposes of ensuring uniformity, the Base Exchange rate of the Parliament Street Branch of State Bank of India, New Delhi at the time of opening of commercial quotes can be adopted for each of the major foreign currencies.

- vi) ERV clause in the contract should clearly indicate that ERV is payable/refundable depending upon movement of exchange rate with reference to exchange rate adopted for the valuation of the contract.
- vii) Other issues which are peculiar to the contract.

b) Buy Back Offer Clause - When it is decided to replace some existing old goods with their newer and better versions/substitutes, the department may trade the existing old goods while purchasing the new ones. For this purpose, suitable clauses are to be incorporated in the tender enquiry document so that the interested tenderers formulate and submit their tenders accordingly. Provision should also be kept in the tender documents to permit the interested tenderers to inspect the old goods to be traded through this transaction. Appropriate provision should also be kept in the tender document allowing the purchase organization to reserve its right to trade or not to trade the old goods while purchasing the new ones and the tenderers are to be asked to frame their quotations accordingly covering both the options. Depending on the value and condition of the old goods to be traded, the time frame for as well as the mode of handing them over to the successful tenderer should be decided and relevant details in this regard suitably incorporated in the tender document.

b) Maintenance Contract clause -

- i. Some goods, especially sophisticated equipment and machinery need proper maintenance for trouble free service. For this purpose, the Users may like to enter into maintenance contract. It must however be kept in mind that maintenance contract is to start after the expiry of the warranty period, during which period the goods are to be maintained free of cost by the supplier. Maintenance contract may be entered into either with the manufacturer/supplier of the goods or with a competent and eligible firm, not necessarily the manufacturer/supplier of the goods in question. IFA should decide this aspect on case to case basis on merit.
- ii. If the maintenance contract is to be entered into with the supplier of the goods, then suitable clauses for this purpose are to be incorporated in the tender enquiry document itself and while evaluating the offers, the cost component towards maintenance of the goods are also to be added in the evaluated tender value on overall basis to decide the inter se ranking of the

responsive tenderers. An equipment with a lower quoted price may carry a higher maintenance liability. Therefore, total cost on purchase and maintenance of the equipment over its projected lifecycle should be assessed to consider its suitability for purchase. However, if the maintenance contract is to be entered into with a competent and eligible supplier separately, then a separate tender enquiry is to be floated for this purpose and tenders evaluated and ranked accordingly for placement of maintenance contract. Here, the supplier of the goods may also quote and its quotation, if received, is to be considered along with other quotations received.

- iii. While evaluating the tenderers for maintenance of goods covering a longer period (say, more than one year), the quoted prices pertaining to maintenance in future years are to be discounted to the net present value (NPV) as appropriate for comparing the tenders on equitable basis and deciding the lowest evaluated responsive tender.
- iv. The details of the services required for maintenance of the goods, the required period of maintenance and other relevant terms & conditions including payment terms are to be incorporated in the tender enquiry document. The terms of payment for the maintenance service will depend on the nature of the goods to be maintained as well as the nature of the services desired. Generally, payment for maintenance is made on half-yearly or quarterly basis.
- v. A suitable provision should be incorporated in the tender enquiry document and in the resultant maintenance contract indicating that the prices charged by the maintenance contractor should not exceed the prevailing rates charged by it from others for similar services. While claiming payment, the contractor is also to give a certificate to this effect in its bill.
- vi. If the goods to be maintained are sophisticated and costly, the tender enquiry document should also have a provision for obtaining performance security. The amount of performance security will depend on the nature of the goods, period of maintenance etc. Industry price generally varies from 2.5 % to 5% of the value of the equipment to be maintained.
- vii. Sometimes, the maintenance contractor may have to take the goods or some components of the goods to its factory for repair etc. On such occasions, before handing over the goods or components, suitable bank guarantee is to be obtained from the firm to safeguard purchaser's interest.

viii. Sometimes, during the tenure of a maintenance contract, especially with a longer tenure, it may become necessary for the purchase organization to withdraw the maintenance contract due to some unforeseen reasons. To take care of the same, there should be a suitable provision in the tender document and in the resultant contract. A model clause to this effect is provided below:

“The purchaser reserves its right to terminate the maintenance contract at any time without assigning any reason. The contractor will not be entitled to claim any compensation against such termination. However, while terminating the contract, if any payment is due to the contractor for maintenance services already performed in terms of the contract, the same would be paid to it as per the contract terms”.

ix. Depending on the cost and nature of the goods to be maintained, suitable notice period for such cancellation to come into effect is to be provided in the documents.

c) **Turnkey Contract** - A turnkey contract is a mix of goods contract and works contract. Generally, in the tender enquiry documents for a turnkey contract, the purchase organization specifies the performance and output required from the plant proposed to be set up and broadly outlines the various parameters it visualizes for the desired plant. The inputs and other facilities, which the purchase organization will provide to the contractor are also indicated in the tender enquiry document. The contractor is to design the plant and quote accordingly. The responsibility of the contractor will include supplying the required goods, machinery, equipment etc. needed for the plant; assembling, installing and erecting the same at site as needed; commissioning the plant to meet the required output etc., as specified in the tender enquiry documents.

d) **Terms related to Technological projects** - While processing cases of projects and complicated capital items, IFAs are required to go through the Project Report or detailed SOC at AON stage. Often these Reports/SOC contain detailed description of Technical Reviews (ex - ITR, ASR, etc), undertaken during **Concept Refinement stage**. In addition, RFP of large projects and Capital procurements often contain stage-wise milestones/payment terms, wherein technological terms like SRR, IBR, SDR, CDR, etc are used. IFAs need to be aware of significance of these terminologies in order to allocate appropriate percentage of payments as

per project requirements. A brief exposition of these terms is given below for guidance.

3.5.1 Terms related to Technical Reviews during Concept Refinement stage

a. Initial Technical Review (ITR) - The ITR is a multi-disciplined technical review to support a program's initial objectives. This review ensures that a program's technical baseline is sufficiently rigorous to support a valid cost estimate (with acceptable cost risk), and enable an independent assessment of that estimate by cost, technical, and program management subject matter experts. The ITR assesses the capability needs and conceptual approach of a proposed program and verifies that the requisite research, development, test, engineering, logistics, and programmatic bases for the program reflect the complete spectrum of technical challenges and risks. Additionally, the ITR ensures that historical and prospective drivers of system cost have been quantified to the maximum extent and that the range of uncertainty in these parameters has been captured and reflected in the program cost estimates. Completion of the ITR provides : (1) A complete document detailing system overview, risk, and system operational concept; (2) An assessment of the technical and cost risks of the proposed program; and (3) An independent assessment of the program's cost estimate.

b. Alternative System Review (ASR) - The ASR is a multi-disciplined technical review to ensure that the resulting set of requirements agrees with the customers' needs and expectations and that the system under review can proceed into the Technology Development phase. Generally this review assesses the alternative systems that have been evaluated during the Concept Refinement phase, and ensures that the preferred system alternative is cost effective, affordable, operationally effective and suitable, and can be developed to provide a timely solution to a need at an acceptable level of risk. Of critical importance to this review is the understanding of available system concepts to meet the capabilities described in the early documents and the affordability, operational effectiveness, and technology risks inherent in each alternative concept. Depending on the overall acquisition strategy, one or more preferred solutions is carried forward into the Technology Development phase. By reviewing alternative system concepts, the ASR helps ensure that sufficient effort has been given to conducting trade studies that consider

and incorporate alternative system designs that may more effectively and efficiently meet the defined capabilities. A successful review is predicated on the IPT's determination that the operational capabilities, preferred solution(s), available technologies, and program resources (funding, schedule, staffing, and processes) form a satisfactory basis for proceeding into the Technology Development phase. Completion of the ASR provides:

- (1) An agreement on the preferred system concept(s) to take forward into Technology Development.
- (2) Hardware and software architectural constraints/drivers to address Defense Information Infrastructure / Common Operating Environment and system extensibility requirements.
- (3) An assessment of the full system software concept to include conceptual definition of the complete deliverable/non-deliverable software, scope, and risk (e.g., operational software elements, software engineering environment, test software, maintenance software, simulation/stimulation software, training software, in-service support software, etc.).
- (4) A comprehensive rationale for the preferred solution, including the Analysis of Alternatives that evaluated relative cost, schedule, performance (hardware, human, software), and technology risks.
- (5) A comprehensive assessment of the relative risks associated with including commercial-off-the-shelf items in the program, with emphasis on host platform environmental design, diagnostic information integration, and maintenance concept compatibility.
- (6) A comprehensive risk assessment for the Technology Development phase.
- (7) Trade studies/technical demonstrations for concept risk reduction.
- (8) Joint requirements for the purposes of compatibility, interoperability, and integration.
- (9) Refined thresholds and objectives initially stated as broad measures of effectiveness.
- (10) Completed, comprehensive planning for the Technology Development phase (hardware and software), that addresses critical components to be developed and demonstrated, their cost, and critical path drivers.
- (11) Initial planning for the System Development and Demonstration phase.
- (12) A draft system requirements document if one does not already exist. (This is a high-level engineering document that represents the customer/user capability needs as system requirements.) This systems requirement document should include a system level description of all software elements required by the preferred system concept. The ASR is important because it is a comprehensive

attempt to ensure that the system requirements are aligned with the customer's needs.

3.5.2 Terms related to Technical Reviews during Technology Development phase

a. **System Requirements Review (SRR)** - The SRR is conducted to ascertain progress in defining system technical requirements. This review determines the direction and progress of the systems engineering effort and the degree of convergence upon a balanced and complete configuration. It is normally held during Technology Development, but may be repeated after the start of System Development and Demonstration to clarify the contractor's understanding of redefined or new user requirements. The SRR is a multi-disciplined technical review to ensure that the system under review can proceed into the System Development and Demonstration phase, and that all system requirements and performance requirements derived from the initial documents are defined and are consistent with cost (program budget), schedule (program schedule), risk, and other system constraints. Generally this review assesses the system requirements as captured in the system specification, and ensures that the system requirements are consistent with the preferred system solution as well as available technologies resulting from the Technology Development phase. Of critical importance to this review is an understanding of the program technical risk inherent in the system specification and in the System Development and Demonstration Phase Systems Engineering Plan. Determining an acceptable level of risk is key to a successful review. Completion of the SRR provides: (1) An approved preliminary system performance specification; (2) A preliminary allocation of system requirements to hardware, human, and software subsystems; (3) Identification of all software components (tactical, support, deliverable, non-deliverable, etc.); (4) A comprehensive risk assessment for System Development and Demonstration; (5) An approved System Development and Demonstration Phase Systems Engineering Plan that addresses cost and critical path drivers; and (6) An approved Product Support Plan with updates applicable to this phase. During the SRR, the systems requirements are evaluated to determine whether they are fully defined and consistent with the mature technology solution, and whether traceability of systems requirements to the initial documents is maintained. A successful

review is predicated on the IPT's determination that the system requirements, preferred system solution, available technology, and program resources (funding, schedule, staffing, and processes) form a satisfactory basis for proceeding into the SDD phase.

b. Integrated Baseline Review (IBR) - IBR is used throughout the program when Earned Value Management is required. This review has a business focus, but includes the important technical considerations discussed below. The process is composed of four steps: (1) The Project team's assessment of their understanding of the risks; (2) Preparation for an IBR; (3) Execution of the IBR; and (4) The management process (the source of on-going mutual understanding). The key step in the process is execution of the IBR. The IBR establishes a mutual understanding of the project performance measurement baseline. This understanding provides for an agreement on a plan of action to evaluate the risks inherent in the program measurement baseline and the management processes that operate during project execution. Completion of the review should result in the assessment of risk within the program measurement baseline and the degree to which the following have been established: (1) Technical scope of work is fully included and is consistent with authorizing documents; (2) Key project schedule milestones are identified and supporting schedules reflect a logical flow to accomplish the work; (3) Resources (budgets, facilities, personnel, skills, etc.) are available and are adequate for the assigned tasks; (4) Tasks are planned and can be measured objectively relative to the technical progress; (5) Rationales underlying the Program Measurement Baseline are reasonable; and (6) Management processes support successful execution of the project.

3.5.3 Terms related to Technical Reviews during System Integration phase

a. System Requirements Review (SRR) - The SRR is a multi-functional technical review to ensure that all system and performance requirements derived from the early documents are defined and consistent with cost (program budget), schedule (program schedule), risk, and other system constraints. Generally this review assesses the system requirements captured in the system specification. The review ensures

consistency between the system requirements and the preferred system solution and available technologies.

b. System Functional Review (SFR) - The SFR is a multi-disciplined technical review to ensure that the system under review can proceed into preliminary design, and that all system requirements and functional performance requirements derived from the early documents are defined and are consistent with cost (program budget), schedule (program schedule), risk, and other system constraints. Generally this review assesses the system functional requirements as captured in system specifications (functional baseline), and ensures that all required system performance is fully decomposed and defined in the functional baseline. System performance may be decomposed and traced to lower-level subsystem functionality that may define hardware and software requirements. The SFR determines whether the systems functional definition is fully decomposed to a low level, and whether the IPT is prepared to start preliminary design. Completion of the SFR provides: (1) An established system functional baseline; (2) An updated risk assessment for the System Development and Demonstration phase; (3) An updated Cost Analysis Requirements Description (CARD) (or CARD-like document) based on the system functional baseline; (4) An updated program development schedule including system and software critical path drivers; and (5) An approved Product Support Plan with updates applicable to this phase. The SFR determines whether the system's lower-level performance requirements are fully defined and consistent with the mature system concept, and whether lower-level systems requirements trace to top-level system performance and the early documents. The SFR is the last review that ensures the system is credible and feasible before more technical design work commences.

c. Preliminary Design Review (PDR) - The PDR is a multi-disciplined technical review to ensure that the system under review can proceed into detailed design, and can meet the stated performance requirements within cost (program budget), schedule (program schedule), risk, and other system constraints. Generally, this review assesses the system preliminary design as captured in performance specifications for each configuration item in the system (allocated baseline), and ensures that each function in the functional baseline has been allocated to one or more system configuration

items. Configuration items may consist of hardware and software elements and include such items as airframes, avionics, weapons, crew systems, engines, trainers/training, etc. Completion of the PDR provides: (1) An established system allocated baseline; (2) An updated risk assessment for System Development and Demonstration; (3) An updated cost Analysis document; based on the system allocated baseline; (4) An updated program schedule including system and software critical path drivers; and (5) An approved Product Support Plan with updates applicable to this phase. The PDR evaluates the set of subsystem requirements to determine whether they correctly and completely implement all system requirements allocated to the subsystem. The PDR also determines whether subsystem requirements trace with the system design.

d. Critical Design Review (CDR) - The CDR is a multi-disciplined technical review to ensure that the system under review can proceed into system fabrication, demonstration, and test; and can meet the stated performance requirements within cost (program budget), schedule (program schedule), risk, and other system constraints. Generally this review assesses the system final design as captured in product specifications for each configuration item in the system (product baseline), and ensures that each product in the product baseline has been captured in the detailed design documentation. Product specifications for hardware enable the fabrication of configuration items, and may include production drawings. Product specifications for software (e.g., Software Design Documents) enable coding of a Computer Software Configuration Item. Configuration items may consist of hardware and software elements, and include items such as airframe, avionics, weapons, crew systems, engines, trainers/training, etc. Completion of the CDR provides: (1) An established system product baseline; (2) An updated risk assessment for System Development and Demonstration; (3) An updated Cost Analysis document based on the system product baseline; (4) An updated program development schedule including fabrication, test, and software coding critical path drivers; and (5) An approved Product Support Plan with updates applicable to this phase. The CDR determines whether the hardware, human, and software final detail designs are complete, and whether the vendor is prepared to start system fabrication, demonstration, and test. The subsystem detailed designs are evaluated to determine

whether they correctly and completely implement all system requirements allocated to the subsystem, and whether the traceability of final subsystem requirements to final system detail design is maintained.

e. Design Readiness Review - The outputs of the systems engineering processes in System Integration become the inputs to the Design Readiness Review. These inputs include the following measures of design maturity: The number of subsystem and system technical reviews successfully completed; The percentage of drawings completed; Planned corrective actions to hardware/software deficiencies; Adequate development testing; An assessment of environment, safety and occupational health risks; A completed failure modes and effects analysis; The identification of key system characteristics and critical manufacturing processes; and An estimate of system reliability based on demonstrated reliability rates; etc.

3.5.4. Technical specifications – Ministry of Finance has given guidelines in the area of making Technical specifications in their Manual of Procurement, compliance of which can be seen by IFAs. They are as under –

- a. The specifications of the goods shall meet only the actual and essential needs of the user because “over-specification” will unnecessarily increase the cost and may stifle competition. Specifications should aim at procuring the latest technology and avoid procurement of obsolete goods. Specifications should have emphasis on factors like efficiency, optimum fuel/power consumption, use of environmental-friendly materials, reduced noise and emission levels, low maintenance cost etc. Further, the specifications should not be too restrictive as the aim should be to attract reasonable number of competitive tenderers. The specifications should also take care of the mandatory and statutory regulations, if any, applicable for the goods to be purchased.
- b. Wherever Indian Standards exists for the required goods, the same should be adopted. Preference should be given to procure the goods, which carry BIS (Bureau of Indian Standards) mark. For any deviations from Indian Standards or for any additional parameters for better performance, specific reasons for deviations / modifications should be duly recorded with the approval of the competent authority.
- c. Some Departments publish their own standards, which, apart from specifying the technical parameters also specify special requirements of

packing, marking, inspection etc. The technical parameters in such cases may be marginally different from the Indian Standards. In such cases, the general principle shall be to adopt Indian Standards and the departmental specifications could cover only such additional details as packing, marking, inspection etc. as are specially required to be complied for a particular end use.

- d.** In cases where Indian Standards do not exist or, alternatively, decision has been taken to source the foreign markets also, International Standards (like ISO etc.) may be adopted. Where no widely known standards exist, the specifications shall be drawn in a generalized and broad-based manner to obtain competitive bids from different sources. Except in case of proprietary purchase from a selected single source, the specifications must not contain any brand name, make or catalogue number of a particular manufacturer and if the same is unavoidable due to some compelling reasons, it should be followed by the words "or equivalent".
- e.** All dimensions incorporated in the specifications shall be indicated in metric units. If due to some unavoidable reasons, dimensions in FPS units are to be mentioned, the corresponding equivalents in the metric system must also be indicated.
- f.** The specifications and the technical details should be expressed with proper clarity without any ambiguity or double meaning. Wherever necessary, the written specifications should be supplemented with drawings for additional clarity etc.
- g.** Deciding tender on the basis of tendered sample is too subjective. Therefore, unless specifically decided due to some reasons duly recorded with the approval of competent authority, tender sample clause shall not be incorporated in the specifications. If necessary, suitable stipulations for submission of advance sample (before starting bulk production) by the successful bidder may be incorporated in the specifications.
- h.** Technical particulars to be specified in the tender document shall include the following to the extent applicable for a particular purchase:
 - i.** Scope of supply including quantity required and, also, end use of the required goods.

- ii.** Specifications, technical parameters and product requirements, expressing the requirement in terms of functional characteristics.
- iii.** Drawings.
- iv.** Requirement of BIS mark, where applicable.
- v.** Requirement of advance sample, if any, at post contract stage before bulk production.
- vi.** Special requirements of packing and marking, if any.
- vii.** Inspection procedure for goods ordered and criteria of conformity.
- viii.** Requirements of special tests, if any.
- ix.** Requirement of type test certificate, if any.
- x.** Requirement of type approval for compliance of statutory requirements w.r.t. pollution, emission, noise, etc.
- xi.** Training, technical support, after sales service & AMC.
- xii.** Qualification criteria of the tenderers.
- xiii.** Any other aspects peculiar to the goods in question like shelf life of the equipment etc

1.1 This stage can be divided into three areas which are mentioned below.

1.2 **Tendering stage – Opening of tenders – General**

- a. **Transparency and fairness** - Ensure that transparent and fair methods were adopted in regard to bidders, in terms of para 6.8 (ii), (vi) and (viii) of DPM-2006.
- b. **TEC report** - In two-bid tendering, ascertain that the TEC completed the action as per Para 4.12.5 and 4.12.6 of DPM-2006 and that their report has been approved by CFA. Remember that if at TEC stage only one vendor is found complying to all the SQR parameters, then the RFP is retracted with the approval of CFA and a fresh RFP issued by suitably reformulating SQRs.
- c. **Revision of commercial bids** - In case there was a need for revision of commercial bids (para 4.12.7 & 4.12.8 of DPM-2006), then ensure that equal opportunity was given to all technically acceptable vendors to give their revised commercial bids in a sealed cover.
- d. **Bids' Opening formalities** - Confirm that the para 4.13 of DPM-2006 was complied with during opening of tenders and that vendors were given opportunity to be present during opening of commercial bids. See that the Tender opening board has serially numbered each bid and initialed with date on each page of the tender. Also, whether they have circled the prices and important terms and conditions and initialed with red ink. Any alterations in tenders made by the vendors should be initialed legibly to make it perfectly clear that such alterations were present on the tender at the time of tender opening.
- e. **Late and Delayed tenders** - Ensure that Late and delayed tenders have not been accepted for opening.
- f. **Modification of bids** - Ensure that the modification to bid by any vendor was done only after a written notice was received by the purchaser prior to deadline prescribed for submission of bids. Remember that no bid can be modified after the deadline for submission of bids.

- g. **Withdrawal of bids** - Ensure that the withdrawal of bid is not allowed in the interval between the deadline for submission of bids and expiration of bid validity period.

1.3 Tendering stage – Vetting of CST

- a) **Agents of supplier** – Ensure that one agent does not represent two suppliers or quote on their behalf in a particular tender enquiry. Reject such quote by quoting CVC guidelines no 12-02-6-CTE/Sp-I(1)-2 dated 7.1.2003 and Circular dated 21.4.2004.
- b) **Examination of CST** - Examine that the CST is exhaustive and includes all details given in the quotations.
- c) **Errors by vendors** - See whether any computational errors have been made by the bidders or not. If there is a discrepancy between unit price and total price, the unit price shall prevail. If there is discrepancy between words and figures, the amount in words shall prevail. If the supplier does not accept the correction of the errors, its bid will be rejected and its bid security may be forfeited.
- d) **Enclosures to bids** - See whether required sureties have been furnished and whether the documents have been properly signed.
- e) **Deviations** - See that the deviations from tender enquiry have been brought out in CST.
- f) **Responsiveness of bids** - Determine the substantial responsiveness of each bid to the bid documents. A substantially responsive bid is one, which conforms to all terms and conditions of the bid documents without material deviations. Deviations from or objections or reservations to critical provision like Bid Security, Warranty and Guarantee, Applicable Law, Taxes and Duties will be deemed to be a material deviation. Ensure that Bids received are evaluated in terms of the conditions already incorporated in the bidding documents; no new condition which was not incorporated in the bidding documents should be brought in for evaluation of the bids. Remember that determination of a bid's responsiveness should be based on the contents of the bid itself without recourse to extrinsic evidence.
- g) **Clarification on bids** - If a clarification is required from any bidder, then ensure that it is done in writing and no change in prices or

substance of the bid is sought, offered or permitted. Do not allow any post bid clarification at the initiative of the bidder.

h) **Comparison of bids** - Remember that all elements of cost, including the terms and conditions with financial implications are to be taken into account while ranking quotes. Ensure that comparison of responsive bids is done on the prices of the goods offered inclusive of levies & taxes i.e., ST and ED, CDE, Packing & Forwarding, Freight and Insurance etc., as indicated in the price schedule of Bid documents but exclusive of Octroi/Entry Tax which will be paid extra as per actual, wherever applicable. The ultimate cost to the state on delivery to the consignee's premise should be the deciding factor for ranking of bids. Some factors which need to be taken into account are given below for guidance -

- i. **Duties and Taxes** - All taxes and duties to be paid in connection with the procurement of an item need to be considered including those for which exemption certificates are issued.
- ii. **Delivery Period** - Delivery Period and delivery compliance are important variables for evaluation of bids.
- iii. **All Inclusive Cost on Delivery** - The ultimate cost to the state on delivery to the consignee's premise should be the deciding factor for ranking of bids.
- iv. In case of foreign suppliers, the basic cost (CIF) quoted by him should be the basis for the purpose of comparison of various tenders. In case of indigenous suppliers, ED on fully formed equipment may be offloaded. See that ST and other local levies are ignored in case of indigenous suppliers and Defence PSUs / OFs. Ensure that the payment conditions / terms are similar for domestic private suppliers, Defence PSUs / OFs and the foreign suppliers.

i) **LPP in CST** - Ensure that LPP is mentioned, wherever available, in CST for enabling fair comparison.

j) **Signing the CST** - Vet the CST with regard to original quotations, indents and other supporting documents for checking the calculations as well as the premises on which CST has been prepared. As an IFA rep, sign the CST along with purchase officer, after due examination as above in terms of para 13.5, DPM-2006.

k) At the time of scrutiny of CST the following points should be observed/examined:-

- i. Rates received are not abnormally high or low compared with last paid rates. The offer of the lowest tenderer has been recommended for placing order. If not, specific reasons have been recorded for rejection of the lowest tenderer.
- ii. No. of firms on whom TE was floated and No. of firms who have responded has been recorded in CST.
- iii. Whether the firm is holding DGS&D Rate contract or not should be indicated in the CST.
- iv. If any clause is not acceptable to the firm the same is highlighted in CST.

1.4 Tendering stage – Negotiations

- a. **Determination of L-1** – As per para 13.5 of DPM-2006, determination of L-1 has to be done by the CNC.
- b. **Reasonableness of price** - As IFA's rep in PNC, your first objective in the CNC should be to establish reasonableness of price being paid by the Government This is a complex task and many factors need to be considered, which are mentioned below for guidance –
 - i. Estimated value as given in the indent
 - ii. Response of the trade to tender enquiry
 - iii. Last purchase price (LPP)
 - iv. Database of past contracts for similar items
 - v. Movement of price indices of raw materials, electricity, whole sale price index and statutory changes in wage rates
 - vi. Market intelligence regarding cost of the item or similar items
 - vii. Material composition and component-wise costing
 - viii. Technological intricacies involved
 - ix. Whether of current production or otherwise
 - x. Maintenance requirements, spares and warrantee etc.
- c. **Spare items' cases** - For procurement of spare parts, consumables and small value contracts which are supplied in the past, the price reasonableness may be determined after comparing with last purchase price after factoring in changes in price indices published by the Government sources.

- d. **Cost analysis** - The reasonability of price may also be examined, by resorting to Cost Analysis in situations where there is a wide variance over the LPP not explained by corresponding changes in indices. Obtain and analyze to check cost break up details as per format placed at **Appendix 'P' of DPM-2006**, to the extent possible.
- e. **LPP** - LPP is one of the relevant factors in deciding the price reasonableness. However, following needs to be considered while comparing the quoted rates with the LPP:-
- i. LPP of more than three years vintage is not taken as a real scale for comparison. However, such LPP could be used as an input for assessing the rates.
 - ii. LPP should pertain to a past successfully executed order of similar magnitude and scope of supply.
 - iii. Factors like basket price and bulk discount offered need to be taken in to account while using LPP as a scales for comparing prices.
 - iv. Price variation clause, if any, and the final cost paid by the Government in respect of last purchase to which LPP pertains to be considered.
 - v. Factors like items supplied against LPP being of current production or ex-stock supply need to be taken into account.
 - vi. Market conditions and extraneous factors like re-starting production lines due to obsolescence may also have to be considered.
- f. **Analysis of Single tender cases** - In the case of single tender, analysis of the costs and price structure may be done to ensure that the price quoted is reasonable with reasonable profit margin. To assess the reasonable price the following steps could be considered for the projects supplied in the past indigenously or by an Indian vendor.
- i. In case of products, which have been supplied in the past, the actual cost of production of the completed contract or supplies may be obtained in addition to the price quotation. The current Cost of Production may be assessed keeping in view the actual cost of production duly updated to current rates.
 - ii. The break up of the material cost into the imported and indigenous material. In case of imported material, obtain break down of Foreign Exchange content, foreign currencies involved, exchange rate adopted and other costs. In respect of Direct Material, ensure that

various types of material used, their spec(s), unit rates and usage factor and credit for scrap arising has been assessed by a Technical Team and vet the rates.

- iii. Assess the man hour rate (MHR) rate and Total Standard Man Hours (SMH).
 - iv. Obtain the Cost Break up as per format placed at **Appendix 'P' of DPM-2006.**
 - v. Analyse Balance sheets and profit and loss accounts during the last three years, wherever made available.
 - vi. In case where advance or progressive payments are required to be paid, consider the advantage of advance in terms of lower cost of production. There should be clear linkage between price negotiated and quantum of advance.
 - vii. Where the order is for larger quantity, take into account the benefit of economy of scale due to higher capacity utilization and reduction of overheads particularly fixed overheads.
- g. **Inputs from vendors** - In assessing the reasonableness, general analysis of Financial/Cost ratios from published accounts and evaluation of Commercial/Technical information of the Vendor/Bidder may be undertaken. The allocation of overheads should be as per established principles of costing. Assessment should be made on the vendor's approach to controlling cost, adherence to delivery schedule, Cost Accounting System and other factors affecting contractor's ability to meet cost/schedule targets.
- h. **DCF techniques** - The Discounted Cash Flow (DCF) techniques may be used for evaluating long-term project cases. DCF procedure is to reduce both cash inflow and out-flows into net present values (NPV) through the DCF methods, which would be more scientific and reliable. The use of Net Present Value (NPV) analysis in Cost and Price Analysis is based on the concept of time value of money. The money has a time value because of the opportunity to earn interest or the cost of paying interest on borrowed capital. This means that a sum to be paid today is worth more than a sum to be paid in a future time. The cash out flow/inflows and the average cost of capital i.e., cost of borrowing becomes an important constituent in evaluation process. The NPV of a stream of cash flows is described as follows: -

i. $NPV = C_1 C_2 C_3 + \dots$ Or

----- + ----- + -----

$1+r (1+r)^2 (1+r)^3$

$NPV = \sum \frac{C_n}{1+r^n}$

$(1+r)^t$

In the formula **C** is the expected payoff at a period mentioned by the subscript **n**.

r is the rate of interest.

t is the period after which the payment is done.

n is payment schedule as per the payment terms and conditions.

- ii. The alternative with the smallest payment of net present value in the procurement is the obvious choice. The DCF may be made use of to facilitate determination of L1 in following procurement situations: -
 - i. To compare different payment terms of the vendors to a common denomination for determining L1 status.
 - ii. To deal with the cases where entering into AMC over a period of 10 to 11 years is part of the contract for evaluating for L1 status.
- iii. Ministry of Finance has also clarified that determination of L1 by merely adding arithmetic values spread over 12 to 13 years (2 years warranty and 10 to 11 year AMC) would be an incorrect procedure for determining L1 and the correct procedure would be reduced cash out flows into present values through the DCF technique for which the discount rate to be adopted should form part of the RFP.
- iv. The cost of borrowing to the Government is the relevant discounting rate for the purpose of evaluation. The Ministry of Finance prescribes the lending rates of the loans to be charged by the Central Government from State Governments, Public Sector Undertakings and Financial Institutions etc.
- v. In case cash flow involves more than one currency, the same has to be brought to a common denomination, say Rupees by adopting exchange rate as on the date of the opening of price bids. MS "Excel" or any standard spreadsheet has the features for carrying out this exercise.
- vi. Min of Finance letter dated 11.11.2002, at Appendix Q of DPM-2006 may be read for further guidance.

- i. **PNC composition** - Price negotiation is normally required to ensure that the interest of the state is fully protected and the price paid is reasonable. Ensure that such negotiations are conducted by a duly appointed Contract Negotiation Committee (CNC) including a IFA's rep unless the negotiation is carried out by the committee CFA itself. CNC is to be invariably conducted in case of single tender situations including PAC cases, or when price is considered high with reference to assessed reasonable price.
- j. **Brief of PNC** - Ensure that brief of PNC is sent in advance by the user. Examine the brief and supplement it with data-base being maintained in IFA's office.
- k. **Need for Negotiations** -
 - i. As per para 13.5.1 of DPM-2006, in multi -vendor cases, on opening of commercial offers, once L1 vendor is identified, the contract should be concluded with him and there would be no need for any further price negotiations. However, negotiations can be held in exceptional circumstances where valid logical reasons exist and such negotiations should be held only with L1. One of the major reasons could be the quoted price being higher than the estimated reasonable rate. In case of procurement of new equipment, on single vendor / resultant single vendor basis, ensure that CNC establishes a benchmark and reasonableness of price in an internal meeting before opening the commercial offer. Once the commercial offers are opened and the price of the vendor is found to be within the benchmark fixed, in the internal meeting, there should be no need to carry out any further price negotiations. Negotiations are to be conducted only with L-1 as per para 6.8 (xii), DPM-2006. However, in Rate contract tendering, where a number of firms are brought on rate contract for same item, negotiations as well as counter-offering of rates are permitted with the bidders in view as per para 6.8 (xiii), DPM-2006.
 - ii. As per CVC Circular no 4/3/07 dated 3.3.2007, post tender negotiations could often be a source of corruption, there should be no post-tender negotiations with L-1, except in certain exceptional situations. Such exceptional situations would include procurement of proprietary items, items with limited sources of supply and items where there is suspicion of a cartel formation. The justification and details of such negotiations should be duly recorded and documented without any loss of time. This

means that cases of Limited/PAC/Single tendering resulting in insufficient competition, unreasonable rate of L-1, etc could be a reason for negotiations. IFAs should keep this in view.

- l. **Recording of efforts** - Assessing of reasonability may be an arduous task, especially where price data is not available or in case of overseas purchases. In such cases it is important to place on record efforts made for arriving at a price and taking procurement decision.
- m. **Complete work** - As per MoD (Fin), FA (Acq) ID No 375 dated 15.3.2005, entire terms and individual clauses of the contract has to be clearly negotiated during the CNC itself in order to avoid any ambiguity and the consequential delays in the procurement process that result.
- n. **Detailed recording of Minutes** - Ensure that detailed record of discussions regarding compliance with tendered QRs, price and contract clauses held during the CNC is prepared, signed and placed on record in the form of minutes of the meeting.
- o. **Signing of Minutes** - Ensure that PNC minutes are signed within a week of its final meeting by all its members, as per Appendix A & A-1 of DPM-2006.
- p. **Participation in TPC/PNC** - The following points are to be examined before participation in TPC/PNC:
 - i. Whether indent/provisioning has been vetted by the IFA and the sanctioned by appropriate CFA depending on value.
 - ii. Validity of quotations on the date of holding TPC is verified. Validity period means valid for the period notified in enquiry excluding the date of tender opening (para 8.5.7 DGS&D Manual).
 - iii. It is to be ensured that only L1 has been called for negotiations, if required. In cases, where firm other than L1 has been called adequate reasons are to be recorded and prior concurrence of IFA and approval of CFA is to be obtained.
 - iv. No conditional discounts may be taken cognizance of.
 - v. In case of plants/machinery, all these factors viz. maintenance spares for a specified period, AMC, guarantee/warranty clause, inspection clause, after sales service, performance guarantee for warranty period, are to be negotiated.
 - vi. It is also to be ensured that financial advice, if any, offered by IFA, is correctly recorded in minutes of TPC. If not, the minutes of TPC can be modified to record the same.

2. Expenditure sanction stage

2.1. This is the stage when the case file is received from the concerned Branch along with the PNC minutes, duly recommended by the penultimate CFA. Following issues can come up at this stage, which will need to be addressed by the IFA. For advance issues at expenditure angle sanction stage please refer to Appendix 'C' to this Manual.

2.2. Re-tendering – Remember that re-tendering will be done only after approval of IFA and CFA in all cases in terms of para 4.18 & 4.19, DPM-2006. Ensure that Re-tendering is considered with utmost caution, and only under the following circumstances: -

- (a) When the Offers do not confirm to essential specification.
- (b) Wherever there are major changes in specification and quantity, which may have considerable impact on the price.
- (c) Prices quoted are unreasonably high with reference to assessed cost or there is evidence of a sudden slump in prices.
- (d) In case L-1 tenderer withdraws his offer.
- (e) There may be cases when the lack of competition is due to restrictive specification, which do not permit many vendors to participate. CFA must consider if there are reasons for review of specification of the item to facilitate wider competition. As per para 13.9 of DPM-2006, lack of competition can be said to exist in following conditions –
 - i. The number of acceptable offers is less than three.
 - ii. Ring prices have been quoted by all tenderers (Cartel formation).
 - iii. The product of only one manufacturer has been offered by all the tenderers irrespective of the number of quotations.
 - iv. Store under purchase is chronically in short supply against which a number of acceptable offers never exceed two.
- (f) CVC, vide Circular no 4/3/07 dated 3.3.2007, have clarified that in cases, where a decision is taken to go for re-tendering due to the unreasonableness of the quoted rates, but the requirements are urgent and a re-tender for the entire requirement would delay the availability of the item, thus jeopardizing the essential operations, maintenance and safety, negotiations would be permitted with L-1 bidder(s) for the supply of a bare minimum quantity. The balance

quantity should, however, be procured expeditiously through a re-tender, following the normal tendering process.

2.3. Acceptance of Cost over Estimates - When it is proposed to accept an offer higher than the sanctioned indent price which may be based on last purchase price or assessed price, concurrence can be given provided that the increased amount is within CFA's delegated powers and after recording reasons. Whenever the increased amount exceeds the financial powers of the CFA, approval of next higher CFA, within his delegated powers, may be sought for.

2.4. Determination of L-1 on Entire Package - In Revenue procurement of Import cases where RFPs are issued item-wise, if it is decided to club these item wise requirements and float a combined RFP to avail of economy of scale etc, L1 should be considered on the cash outflow for entire package. This is as per Para 9.28 of DPM-2006. After L1 is determined, ensure that PNC initiated discussions with L1 bidder for items in which rates quoted by him are higher than those quoted by other vendors. In such case, see that negotiation with L1 vendor was done with reference to the lowest bid for that item (items). In case the L1 vendor did not match lowest bid for item(s) which happens to be high value item (items), recommend possibility of concluding fresh contract for such item(s).

2.5. Apportionment of Quantity - As per Para 5.10, DPM-2006, if L1 does not have the capacity to supply within the delivery period as per RFP, after loading L1 fully as per its capacity and past delivery, ensure that order is given to on L2, L3..... for the balance quantity only at L1's rate.

2.6. Purchase Decision - IFA must consider all aspects of the case including reasonability of offered prices, quoted terms and conditions, technical evaluation report etc. It has to be ensured that proper procedure & policies have been followed at various stages of procurement for arriving at the decision of L-1 firm. The financial implication should be considered as the all-inclusive cost to the state on delivery to the designated consignee.

2.7. Types of contracts to be considered - Government contracts can be of many types depending on the nature of the item being procured, work to be executed, services required to be rendered and support to be provided. Though the provisions contained in the manual may not be applicable to the contracts for

works and project in totality, these will normally apply to all other types of revenue contracts. The general categories of contract could be:-

- i. Purchase order for items of stores, spares or equipment.
- ii. Rate Contract.
- iii. Price Agreement.
- iv. Service Contract.
- v. Annual Maintenance Contract (AMC).
- vi. Consultancy Contract.
- vii. Works Contract/Project.
- viii. Development Contract.

2.8. Vetting of Supply order / Contract -

- a) SCOC in contracts - Ensure that the draft Contract/SO is stipulating that the Standard Conditions Of Contract (SCOC), as given in Appendix F of DPM-2006, are applicable in addition to any special conditions specific to the Contract/SO, which might have been mutually agreed between the parties. The draft SCOC is exhaustive. See that the relevant clauses as applicable have been included in draft contract.
- b) SCOC in Supply orders - Similarly while vetting Supply Order, ensure that these general conditions, in spirit, has been made applicable. Acceptance of Supply Order by the vendors is essential to make the same as legally valid document.
- c) Special Conditions - Special conditions of contract are supplementary conditions applicable to the specific tender and contract. Such conditions become essential particularly in cases of contract for supply of services or even equipment. There may be a need to stipulate conditions like stage inspection, acceptance trials, installation, setting to work, and commissioning or pre-defined stages of payment for services. Ensure that such conditions were mentioned in the Tender Enquiry before incorporating them in the contract.
- d) The following points need to be seen while vetting the supply orders:
 - (i) Payment Terms : Whether Paying authority and payment terms are incorporated in the contract as per guidelines of MoD. Payment terms vary depending on nature of items as follows:
 - a) 100% payment against receipt of stores by consignee in acceptable condition.

- b) 90% or 95% payment on proof of dispatch and balance after receipt of stores. In no case, should it be 100% payment against proof of dispatch.
 - c) 80% payment against receipt of Plant and Machinery in acceptable condition by consignee, 10% payment after successful erection and final 10% payment after successful commissioning against 10% performance bank guarantee from any Nationalized bank to be kept valid till 60 days after the expiry of warranty period.
- (ii) Whether the prices have been correctly indicated and variation, if any, has also been stipulated on the basis of a well-defined and clear-cut price variation formula after approval from the competent authority.
 - (iii) Whether the firms have asked for sales tax/service tax separately. If so, whether it has been shown properly in the contract.
 - (iv) Whether the status of excise duty is clearly specified in the supply order.
 - (v) Whether the delivery period stipulated in the contract is in accordance with the delivery agreed to by the tenderer. Whether the terms of delivery have been correctly specified.
 - (vi) Whether the terms and conditions including specified conditions stipulated in the contract are in conformity with offer of the firm and variation, if any, has been mutually settled.
 - (vii) Whether force majeure clause is incorporated in the supply order only if specific request is made by the firm.
 - (viii) Whether dispatch and inspection instructions have been correctly incorporated. Whether inspection agency and inspecting officer have been clearly indicated in the Supply Order.
 - (ix) Whether the copies of the Supply Order have been endorsed to all concerned including inspectorate and Accounts Office.
 - (x) The stores should on no account be dispatched/delivered without getting the same inspected and passed by the Inspection Officer stipulated in the order (unless the inspection at destination is required.)
 - (xi) Whether Heads of Accounts are indicated correctly.

- (xii) Whether the paying authority and paying officer are indicated correctly.
- (xiii) Whether the tendering firm has accepted the standard "sole arbitration clause".
- (xiv) Whether the contract provides for submission of advance sample. If so, whether a definite, reasonable and correct time limit has been laid down.
- (xv) Whether the transit risk clause has been correctly stipulated.
- (xvi) Whether the firm has asked for any assistance for clearing the raw materials and if so, whether a suitable provision has been incorporated making it clear whether it is a contractual obligation or otherwise.
- (xvii) Whether the firm has agreed to placement of additional 50% quantity under option clause. If so, whether the purchaser's right to do so has been reserved up to specified date.
- (xviii) Whether in case of Plant & Machinery, suitable provisions have been made regarding erection and commissioning, after sales service, warranty period, training of purchaser's personnel, etc.
- (xix) Whether the following documents have been specified in the supply order for submission along with contractor bills for payment viz.
- (a) Original copy of Supply Order
 - (b) CRV in case of 100% payment
 - (c) Inspection note
 - (d) Guarantee/Warranty certificate
 - (e) Excise Invoice
 - (f) Freight receipts
 - (g) Any other document required.
- (xx) Whether in case of prorata payments, there is a provision for submission of Xerox copy of the Supply Order with each bill and original copy of supply order with the final bill.
- (xxi) Whether necessary instructions regarding Military Credit Notes have been incorporated.
- (xxii) Whether suitable packing and transit insurance instructions against loss or damage in transit have been incorporated.

(xxiii) If materials are to be issued to contractor by the Government, whether suitable provision has been made as regards issue price, collateral security deposit and custody, accounting etc.

(xxiv) Whether standard Liquidated Damage (LD) clause has been suitably incorporated in the contract.

(xxv) Whether Financial Concurrence number and date has been correctly and clearly indicated in the supply order.

2.9. Letter of Intent – Sometimes, due to urgency and need to alert vendor in advance for commencing production plan, it may become necessary to conclude the contract by issue of a Letter of Intent (LOI), which acts as an advance acceptance letter. This can be done as per Para 9, Annexure II of MoD, DDP&S Office Memorandum no 7(67)/73/D(S.II) dated 13.3.1990. In such cases, the LOI concludes the contract and it is imperative that all important and relevant clauses such as description of stores, quantity, prices, delivery period, etc are included therein and there is no variation between the LOI and the supply order, which should be issued as early as possible. The LOI should also specify that the contract is concluded therewith and that formal supply order would follow.

2.10. Allotment of U.O. number – After CFA has approved the case, communication of concurrence may be given through a formal U.O. number. Ask the user to make mention of U.O. number in the sanction letter and Supply order/contract to enable CDA to admit case in audit.

2.11. Signing of contract - All contracts concluded by the departments of the central Government are in the name and behalf of the President of India. However, the contract, after due approval of the CFA, may be signed by a staff officer, duly authorized by the CFA in writing. Match the specimen signature of such staff officer with the records. As for the contractor, the person signing the offer or conveying the acceptance of the contract is deemed to have been authorized by the supplier unless otherwise stated. The contract /supply order is to be signed in each page by the firm's authorized representative and duly acknowledged as accepted.

2.12. Acceptance of contract - Any contract, when not signed by both parties, namely the purchaser and the supplier, is deemed to come in to force with the acceptance of the tender as per mutually agreed terms and conditions contained

in the TE and the firm's offer. However, ensure that the vendor conveys their acceptance of the same within seven days of receipt of the supply order. If such an acceptance or communication conveying their objection to certain parts of the contract is not received within the stipulated period, the supply order is deemed to have been fully accepted by the firm. In case of foreign contract, normally both parties sign the document thus conveying their acceptance of the contract.

2.13. Contract effective date – Ensure that the contract effective date is invariably indicated in each contract as per agreed terms and conditions. The effective date will be the date on which the last of the conditions, as applicable, is complied with, viz :-

- a. Date of signing of contract.
- b. Furnishing of performance Bond in the form of PBG by the seller
- c. Obtaining the Export License for supply of stores by the seller and a confirmation in writing sent to the buyer within specified days of signing of contract.
- d. Receipt of Bank Guarantee for advance payment
- e. Date of Issue of End User Certificate. The supplies shall provide the End User Certificate within 30 days of signing of the contract.

3. Advanced issues at Tendering & Expenditure angle sanction stage

3.1 The advanced issues mentioned in this chapter are akin to desirable QRs. These are meant for higher level IFAs and that too on as required basis. The topics have been only given brief introduction as each one of them requires extensive readings for effective use in procurement. This is only an attempt to familiarize IFAs with advanced themes, which can be pursued on their own depending upon level, aptitude and requirements of individual IFA. The stages of tendering and expenditure angle sanction are intrinsically combined as the latter practically becomes an offshoot of former. Moreover, issues like financial evaluation, costing, etc can be done at either of these two stages. Hence, a combined chapter on Advanced issues for both stages.

3.2 Suppliers' Price Analysis – IFA needs to understand the dynamics of prices quoted by suppliers, which can happen due to variety of reasons. Identification of these factors can help IFA in preparing for negotiations with L-1 vendor or giving expenditure angle concurrence. Few of these factors are mentioned below for guidance of IFA -

- a. Recession - During any recession or depressed market conditions, many firms would be happy just to maintain continuous operation and offer low prices for that purpose. The short-term goal for these firms is survival, with the long-term goal that improved economic conditions will enable them to again operate at a profit.
- b. Excess Inventory - There are situations where a supplier quotes a lower price in order to unload excess inventory that is costing carrying charges and thus tying up capital and reducing cash flow. This can be caused by the cancellation of an order by another customer or can be caused by anticipation of increased sales that did not materialize. This may be a genuine good buy.
- c. Fictitious rates – This is an abnormal low price quoted by a supplier who is financially insecure and just wants order by any way. Such low prices lose their attractiveness when deliveries become uncertain and are often late, quality is questionable and requires extensive inspectiob, and complaints are never promptly resolved. Such purchases are not in best interests of the users.
- d. New buyer - Then there is new supplier who quotes a low price and is willing to take less of a profit at this time in order to become established

with the users. In this type of situation, the purchase may represent a good buy.

- e. Monopoly situation - The common perception that PAC/Single tendering cases will always be higher than reasonable rates may not be always true. At times such vendors quote even less than reasonable rates as they fear that higher price by them may force buyers to seek substitute goods or modify specs to introduce competition. IFA needs to exploit this theme in negotiating PAC/Single tender cases.
- f. Pure or perfect competition - This exists where there are a large number of independent suppliers competing for identical commodities yet retaining the privilege of entering or exiting from market at any time. Open tendering often results in such situations and here usually the price is determined by supply and demand forces of market.
- g. Oligopoly form in Imperfect competitive market - This exists when each of the limited number of suppliers is strong enough to influence the market, but not strong enough to disregard the reaction from his competitors. Each alone cannot influence the market for its own gain without the counter reaction of his competitors, resulting in a healthy economic market.
- h. Normal imperfect competition - This exists when there are a great number of sellers of similar products, but with each with its own distinguishing feature. These distinguishing features are used by suppliers as persuasive arguments during PNC in their attempts to influence their decision. IFA should be alive to this possibility.

3.3. Suppliers' Discount Policy - During negotiations, asking for discounts is the most important activity by IFAs. However, IFAs need to be aware the various types of discount policy adopted by different vendors and same vendor at different times. Following discount prices can be employed by vendors -

- a. Trade discounts - These are discounts from an OEM's catalog granted for the purpose of protecting certain channels of distribution. This is accomplished by making it more economical for certain classes of customers to purchase from the distributor than directly from the manufacturer. If an OEM finds that a wholesaler is more efficient in distributing his product, that OEM will setup a trade discount schedule that will induce that distributor to handle his product. These channels

are efficient and perform a valuable function in the purchasing cycle. IFA needs to appreciate the importance of Distributors, Accredited Resellers, etc also apart from OEM in such cases.

- b.** Quantity discounts - These are those discounts offered to customers to increase the quantity of their purchases. Small orders often require the same amount of work, in terms of production and administrative and physical processing, as big orders. This means that small orders have higher cost per product. To stimulate larger quantity orders, many suppliers use quantity discounts in which advantage for the buyer is that he can realize a lower price per unit. The supplier gives these discounts on the basis of savings on marketing, packing and shipping costs as well as a reduction in paper work. However, this price advantage must be considered against the extra costs as a result of longer storage, wastage, risk of product being obsolete, etc.
- c.** Cash discounts - These are offered by sellers as an inducement for early payments. It could be advance payment in the initial stage or stage payment at various stages of contract execution stages. IFA needs to carefully decide on case to case basis in such situations.
- d.** Seasonal discount - This discount is applied to improve capacity utilization in periods when sales decline. If the buyer orders out of the season, he gets a lower price.
- e.** Promotional discount - This discount is provided to temporarily stimulate the sales of a product, or, if it concerns a new product, to lower the entry barrier (special offer discount).

3.4. Suppliers' cost structure -

3.4.1 To get a grip on the prices used by the supplier, a distinction should be made by IFAs between the Cost Price Analysis and the Pricing Method. The following list can help IFAs gain some insight into the suppliers' cost structure -

- a.** Materials cost - to be itemized according to the major components.
- b.** Direct Labour Costs - Information about labour costs can often be obtained by consulting the collective labour agreements for that particular industry.
- c.** Transportation costs.
- d.** Indirect costs - These can be divided into General Management Costs and Sales Costs.

3.4.2 As a general rule, the higher the share of the fixed costs in the cost price of the end product, the greater the price elasticity; by enlarging the order volume, the buyer achieves a decrease in the fixed costs per unit, and this should result in lower prices. Products whose prices are mainly determined by variable costs are affected by price. In this situation, a price increase at the supplier's purchasing side must be closely monitored to prevent the supplier issuing unwarranted price increases.

3.5. The Learning Curve - This is an important instrument in the development of purchasing strategies. The Learning Curve was originally developed in the US Aircraft industry. It was discovered that the cost price per unit decreased at a fixed percentage as experience, i.e. the cumulative production volume of a particular type of aircraft, increased. This decrease of costs per unit had nothing to do with Effects of sale,; the result could be attributed to the Learning effect. The basic principle of the Learning curve is that each time the cumulative production volume of a particular item doubles, the average time required to produce that item is approximately X% of the initially required number. This knowledge could be of vital importance to IFAs as buyers. Anticipating the supplier's learning experience, IFAs can negotiate price reductions in the future. The Learning curve is preferably used in the following situations -

- a. When it concerns customized components, manufactured by a supplier at the customer's specification (ex - DGQA specs related cases)
- b. When large amounts of money are involved (so that the costs which must be incurred to apply the technology in question can be recovered)
- c. When the buyer cannot request competitive quotations because, for example, a considerable investment has to be made in moulds and specific production tooling, which leads the buyer to single sourcing.
- d. When direct labour costs make up an important part of the cost price of the product to be produced.

3.5.1 This is the stage when the case file is received from the concerned Branch along with the PNC minutes, duly recommended by the penultimate CFA. Following issues can come up at this stage, which will need to be addressed by the IFA. **For advance issues at expenditure angle sanction stage please refer to Appendix 'C' to this Manual.**

3.5.2 Re-tendering - Remember that re-tendering will be done only after approval of IFA and CFA in all cases in terms of para 4.18 & 4.19, DPM-2006. Ensure that Re-tendering is considered with utmost caution, and only under the following circumstances: -

- (a) When the Offers do not confirm to essential specification.
- (b) Wherever there are major changes in specification and quantity, which may have considerable impact on the price.
- (c) Prices quoted are unreasonably high with reference to assessed cost or there is evidence of a sudden slump in prices.
- (d) In case L-1 tenderer withdraws his offer.
- (e) There may be cases when the lack of competition is due to restrictive specification, which do not permit many vendors to participate. CFA must consider if there are reasons for review of specification of the item to facilitate wider competition. As per para 13.9 of DPM-2006, lack of competition can be said to exist in following conditions -
 - i. The number of acceptable offers is less than three.
 - ii. Ring prices have been quoted by all tenderers (Cartel formation).
 - iii. The product of only one manufacturer has been offered by all the tenderers irrespective of the number of quotations.
 - iv. Store under purchase is chronically in short supply against which a number of acceptable offers never exceed two.
- (f) CVC, vide Circular no 4/3/07 dated 3.3.2007, have clarified that in cases, where a decision is taken to go for re-tendering due to the unreasonableness of the quoted rates, but the requirements are urgent and a re-tender for the entire requirement would delay the availability of the item, thus jeopardizing the essential operations, maintenance and safety, negotiations would be permitted with L-1 bidder(s) for the supply of a bare minimum quantity. The balance quantity should, however, be procured expeditiously through a re-tender, following the normal tendering process.

3.5.3 Acceptance of Cost over Estimates - When it is proposed to accept an offer higher than the sanctioned indent price which may be based on last purchase price or assessed price, concurrence can be given provided that the increased amount is within CFA's delegated powers and after recording reasons. Whenever the increased amount exceeds the financial powers of the CFA, approval of next higher CFA, within his delegated powers, may be sought for.

3.5.4 Determination of L-1 on Entire Package - In Revenue procurement of Import cases where RFPs are issued item-wise, if it is decided to club these item wise requirements and float a combined RFP to avail of economy of scale etc, L1 should be considered on the cash outflow for entire package. This is as per Para 9.28 of DPM-2006. After L1 is determined, ensure that PNC initiated discussions with L1 bidder for items in which rates quoted by him are higher than those quoted by other vendors. In such case, see that negotiation with L1 vendor was done with reference to the lowest bid for that item (items). In case the L1 vendor did not match lowest bid for item(s) which happens to be high value item (items), recommend possibility of concluding fresh contract for such item(s).

3.5.5 Apportionment of Quantity – As per Para 5.10, DPM-2006, if L1 does not have the capacity to supply within the delivery period as per RFP, after loading L1 fully as per its capacity and past delivery, ensure that order is given to on L2, L3..... for the balance quantity only at L1's rate.

3.5.6 Purchase Decision - IFA must consider all aspects of the case including reasonability of offered prices, quoted terms and conditions, technical evaluation report etc. It has to be ensured that proper procedure & policies have been followed at various stages of procurement for arriving at the decision of L-1 firm. The financial implication should be considered as the all-inclusive cost to the state on delivery to the designated consignee.

3.5.7 Types of contracts to be considered - Government contracts can be of many types depending on the nature of the item being procured, work to be executed, services required to be rendered and support to be provided. Though the provisions contained in the manual may not be applicable to the contracts for works and project in totality, these will normally apply to all other types of revenue contracts. The general categories of contract could be:-

- i. Purchase order for items of stores, spares or equipment.
- ii. Rate Contract.
- iii. Price Agreement.
- iv. Service Contract.
- v. Annual Maintenance Contract (AMC).
- vi. Consultancy Contract.
- vii. Works Contract/Project.
- viii. Development Contract.

3.5.8 Vetting of Supply order / Contract -

a) **SCOC in contracts** - Ensure that the draft Contract/SO is stipulating that the Standard Conditions Of Contract (**SCOC**), as given in **Appendix F of DPM-2006**, are applicable in addition to any special conditions specific to the Contract/SO, which might have been mutually agreed between the parties. The draft SCOC is exhaustive. See that the relevant clauses as applicable have been included in draft contract.

b) **SCOC in Supply orders** - Similarly while vetting Supply Order, ensure that these general conditions, in spirit, has been made applicable. Acceptance of Supply Order by the vendors is essential to make the same as legally valid document.

c) **Special Conditions** - Special conditions of contract are supplementary conditions applicable to the specific tender and contract. Such conditions become essential particularly in cases of contract for supply of services or even equipment. There may be a need to stipulate conditions like stage inspection, acceptance trials, installation, setting to work, and commissioning or pre-defined stages of payment for services. Ensure that such conditions were mentioned in the Tender Enquiry before incorporating them in the contract.

d) The following points need to be seen while vetting the supply orders:

i) **Payment Terms:** Whether Paying authority and payment terms are incorporated in the contract as per guidelines of MoD. Payment terms vary depending on nature of items as follows:

ii) 100% payment against receipt of stores by consignee in acceptable condition.

iii) 90% or 95% payment on proof of dispatch and balance after receipt of stores. In no case, should it be 100% payment against proof of dispatch.

iv) 80% payment against receipt of Plant and Machinery in acceptable condition by consignee, 10% payment after successful erection and final 10% payment after successful commissioning against 10% performance bank guarantee from any Nationalized bank to be kept valid till 60 days after the expiry of warranty period.

v) Whether the prices have been correctly indicated and variation, if any, has also been stipulated on the basis of a well-defined and

clear-cut price variation formula after approval from the competent authority.

vi) Whether the firms have asked for sales tax/service tax separately. If so, whether it has been shown properly in the contract.

vii) Whether the status of excise duty is clearly specified in the supply order.

viii) Whether the delivery period stipulated in the contract is in accordance with the delivery agreed to by the tenderer. Whether the terms of delivery have been correctly specified.

ix) Whether the terms and conditions including specified conditions stipulated in the contract are in conformity with offer of the firm and variation, if any, has been mutually settled.

x) Whether force majeure clause is incorporated in the supply order only if specific request is made by the firm.

xi) Whether dispatch and inspection instructions have been correctly incorporated. Whether inspection agency and inspecting officer have been clearly indicated in the Supply Order.

xii) Whether the copies of the Supply Order have been endorsed to all concerned including inspectorate and Accounts Office.

xiii) The stores should on no account be dispatched/delivered without getting the same inspected and passed by the Inspection Officer stipulated in the order (unless the inspection at destination is required.)

xiv) Whether Heads of Accounts are indicated correctly.

xv) Whether the paying authority and paying officer are indicated correctly.

xvi) Whether the tendering firm has accepted the standard "sole arbitration clause".

xvii) Whether the contract provides for submission of advance sample. If so, whether a definite, reasonable and correct time limit has been laid down.

xviii) Whether the transit risk clause has been correctly stipulated.

xix) Whether the firm has asked for any assistance for clearing the raw materials and if so, whether a suitable provision has been incorporated making it clear whether it is a contractual obligation or otherwise.

xx) Whether the firm has agreed to placement of additional 50% quantity under option clause. If so, whether the purchaser's right to do so has been reserved up to specified date.

xxi) Whether in case of Plant & Machinery, suitable provisions have been made regarding erection and commissioning, after sales service, warranty period, training of purchaser's personnel, etc.

xxii) Whether the following documents have been specified in the supply order for submission along with contractor bills for payment viz.

- (a) Original copy of Supply Order
- (b) CRV in case of 100% payment
- (c) Inspection note
- (d) Guarantee/Warranty certificate
- (e) Excise Invoice
- (f) Freight receipts
- (g) Any other document required.

xxiii) Whether in case of prorata payments, there is a provision for submission of Xerox copy of the Supply Order with each bill and original copy of supply order with the final bill.

xxiv) Whether necessary instructions regarding Military Credit Notes have been incorporated.

xxv) Whether suitable packing and transit insurance instructions against loss or damage in transit have been incorporated.

xxvi) If materials are to be issued to contractor by the Government, whether suitable provision has been made as regards issue price, collateral security deposit and custody, accounting etc.

xxvii) Whether standard Liquidated Damage (LD) clause has been suitably incorporated in the contract.

xxviii) Whether Financial Concurrence number and date has been correctly and clearly indicated in the supply order.

3.5.9 Letter of Intent – Sometimes, due to urgency and need to alert vendor in advance for commencing production plan, it may become necessary to conclude the contract by issue of a Letter of Intent (LOI), which acts as an advance acceptance letter. This can be done as per Para 9, Annexure II of MoD, DDP&S Office Memorandum no 7(67)/73/D(S.II) dated 13.3.1990. In such cases, the LOI

concludes the contract and it is imperative that all important and relevant clauses such as description of stores, quantity, prices, delivery period, etc are included therein and there is no variation between the LOI and the supply order, which should be issued as early as possible. The LOI should also specify that the contract is concluded therewith and that formal supply order would follow.

3.5.10. Allotment of U.O. number - After CFA has approved the case, communication of concurrence may be given through a formal U.O. number. Ask the user to make mention of U.O. number in the sanction letter and Supply order/contract to enable CDA to admit case in audit.

3.5.11 Signing of contract - All contracts concluded by the departments of the central Government are in the name and behalf of the President of India. However, the contract, after due approval of the CFA, may be signed by a staff officer, duly authorized by the CFA in writing. Match the specimen signature of such staff officer with the records. As for the contractor, the person signing the offer or conveying the acceptance of the contract is deemed to have been authorized by the supplier unless otherwise stated. The contract /supply order is to be signed in each page by the firm's authorized representative and duly acknowledged as accepted.

3.5.12 Acceptance of contract - Any contract, when not signed by both parties, namely the purchaser and the supplier, is deemed to come in to force with the acceptance of the tender as per mutually agreed terms and conditions contained in the TE and the firm's offer. However, ensure that the vendor conveys their acceptance of the same within seven days of receipt of the supply order. If such an acceptance or communication conveying their objection to certain parts of the contract is not received within the stipulated period, the supply order is deemed to have been fully accepted by the firm. In case of foreign contract, normally both parties sign the document thus conveying their acceptance of the contract.

3.5.13 Contract effective date - Ensure that the contract effective date is invariably indicated in each contract as per agreed terms and conditions. The effective date will be the date on which the last of the conditions, as applicable, is complied with, viz :-

- a. Date of signing of contract.
- b. Furnishing of performance Bond in the form of PBG by the seller

- c. Obtaining the Export License for supply of stores by the seller and a confirmation in writing sent to the buyer within specified days of signing of contract.
- d. Receipt of Bank Guarantee for advance payment
- e. Date of Issue of End User Certificate. The supplies shall provide the End User Certificate within 30 days of signing of the contract.

3.6 Cost-effective Analysis -

a) Pricing and cost price information are of course insufficient to get the best Value for Money. It is also essential that the IFAs know how to use the Cost-effective analysis techniques. The selection and acquisition of a weapon or equipment from available systems is a major problem before defence services. The selection depends upon the effectiveness and cost. The effectiveness can be defined as the measure of the level up to which the system meets its objective. The cost effectiveness analysis helps in identifying the system, which accomplishes the desired level at lower cost. There are three approaches in analyzing the options for a cost-effectiveness analysis.

- i. Fixed effectiveness approach - In this approach, an effectiveness level is chosen. Out of the several options satisfying the effectiveness criterion, the least cost system is selected. Generally, the decisions relating to the acquisition of off-the-shelf items are analyzed by using this approach.
- ii. Fixed cost approach - It is used in investment-oriented decisions where out of a fixed budget one opts for the system that gives the best performance. The acquisition of items involving R and D is based upon this approach. The modernization programmes in the defence services are also handled by this approach.
- iii. Figure of merit approach - In this approach, neither the cost nor the effectiveness is kept constant. For all alternatives, both the cost and the effectiveness are evaluated and a 'Figure of merit', generally defined as effectiveness/cost, i.e., effectiveness achieved per unit cost is calculated. The system with the highest figure of merit is chosen. Alternatively one can also use the figure of merit as cost/effectiveness, i.e., cost per unit effectiveness. On this case the system with the least figure of merit is selected.

b. The cost is generally taken as a total of procurement cost + operating cost + maintenance cost for items off-the-shelf. For systems which are to go through the process of R and D or are in semi-developed stage, the cost is considered as a total of R and D cost + investment cost for production + operating and supporting cost.

c. For defining effectiveness quantitatively, an appropriate Measure of Effectiveness (MOE) is defined which depends upon the system to be acquired. For example, for an artillery gun, the MOE can be defined as the number of guns required to inflict a specified level of damage on area targets of given dimensions. For an air defence gun, the MOE may be defined in terms of the kill probability of the gun against enemy aircraft. For an air-to-ground attack aircraft the MOE may be defined as the number of sorties required for achieving the desired mission * ammunition dropped per sortie * effectiveness of each ammunition, in specified operational scenarios. The following example illustrates the concept of cost-effectiveness by using the fixed effectiveness approach.

d. A country is interested in procuring artillery guns for the army. Out of several alternatives, two artillery guns meet the specifications. The first gun G1, which is an old gun costs rupees 16 lakhs. The second gun G2 is a relatively new gun costing rupees 30 lakhs. The other details are given in the table below.

Table 1.

Comparison of various costs of two different guns.

	Gun G1 (Rs.)	Gun G2 (Rs.)
Cost of each gun	16,00,000	30,00,000
Cost of each shell	2,000	2,500
Cost of each towing vehicle	1,56,000	1,56,000
Cost per person per year	1,00,000	1,00,000
Persons authorized per gun	6	6
Round authorized per gun per year	100	100

In order to evaluate these guns, two operational scenarios against the following targets can be considered.

1. T1: Infantry standing in a formation.
2. T2: Towered artillery deployed.

The area of these targets is 100m * 100m. The proportion in which the guns are used such targets over their lifetime can be taken as 75% and 25% respectively. The lethal radii of the shell of the gun G1 against the targets T1 and T2 are 15m and 4m, respectively and that of gun G2 are 20m and 8m respectively. The guns are required to inflict 50% damage to the targets within a mission duration of 3 minutes for the first target and 5 minutes for the second target, from a given range. The rate of fire of the guns are 7 and 4 rounds per minute, respectively. The range and line errors for the gun G1 are 50m and 25m, respectively. The corresponding values are 45 and 20 m, respectively for gun G2. The aiming is done at the center of the target.

From the trials conducted for these scenarios, the number of shells required to achieve 50% coverage of the targets have been evaluated and are given in the Table 2. The number of shells that can be fired during the mission duration are 21 and 35 by the first gun and 12 and 20 by the second gun. Therefore, the number of guns required for damaging the targets are computed and given in the Table 2.

Table 2

Calculation of number of shells and guns required to destroy a particular target by two different guns.

Target	Shells	Gun (G1)	Shells	Gun (G2)
T1	16	16/21=0.76	9	0.75
T2	233	233/35=6.65	58	2.90

For evaluating the total number of guns required we take the weighted sum based on the proportion of the requirement on each type of target (i.e., 75% for T1 and 25% for T2). Thus the number of guns required $m(G1)$ and $m(G2)$ to achieve the missions are given by

$$m(G1) = 0.75 * 0.76 + 0.25 * 6.65 = 2.23$$

$$m(G2) = 0.75 * 0.75 + 0.25 * 2.90 = 1.29$$

Thus 2.23 guns of the first type are equal to 1.29 guns of the second type in achieving this specified mission. This indicates that gun G2 is more effective than gun G1. We next determine the cost for these guns on the basis of data given in table 1. The system costs for G1 and G2 for the planning period of ten years are evaluated and are given in Table 3.

Table 3

ITEM	GUN G1(for 2.23 guns)	GUN G2 (For 1.29 guns)
Procurement cost	35,68,000	38,70,000
Cost of vehicles	3,47,880	2,01,240
Cost of spares @ 10% of cost of gun and vehicle	3,91,588	4,07,124
Cost of ammunition for 10 years	44,60,000	32,25,000
Maintenance cost @1% of the gun and vehicle for 10 years	3,91,588	4,07,124
Cost of crew for 10 years	1,33,80,000	77,40,000
TOTAL	2,25,39,056	1,58,50,488

Since we are following the fixed effectiveness approach, the gun system with the lowest cost is cost effective. Hence the cost analysis in table 3 indicates that the gun G2 is cost effective. It may be noted that if the decision maker goes by the cost of the guns alone he will find G1 cheaper than G2. This analysis indicates that gun G2 is not only effective but also more cost effective than gun G1.

- i. This analysis brings out the basic point regarding the cost-effectiveness analysis, i.e., one should not go by cost alone in deciding upon which gun system one should go in for. If we bring in the effectiveness into our calculation, then it may not be economical to go in for the cheaper gun. But one point in this scenario should not be lost sight of. Gun G1 is stated to be an old gun. It may mean that the gun is already in service, and still has exploitable service left. Then the induction of the G2 gun would mean a totally new investment. The question then arises whether the old gun can be upgraded at a relatively lower cost than that entailed in purchasing new guns. Can the effectiveness be improved in such a way that it may become a better option, even from the cost-effectiveness angle? The background and scenario in which the quantitative analysis can operate should, therefore, always be clear. Otherwise, there may be a chance of wrong decisions. That is also the reason why the quantitative analysis should not be done as an independent exercise but should be an integral part of decision-making, with constant interaction between Service Headquarters and the specialists engaged in quantitative analysis.

3.7. Pitfalls in Reasonable Rate determination - Identifying Factors That Affect Comparability

a. When comparing prices, IFA may attempt to account for any factors that affect comparability. The following factors deserve special consideration because they affect many price analysis comparisons:

- i. Market conditions;
- ii. Quantity or size;
- iii. Geographic location;
- iv. Purchasing power of the dollar;
- v. Extent of competition;
- vi. Technology; and
- vii. Defence unique requirements.

b. Market Conditions -

- i. Market conditions change. The passage of time usually is accompanied by changes in supply, demand, technology, product designs, pricing strategies, laws and regulations that affect supplier costs, and other such factors. An effort to equate two prices, separated by five years, through a simple inflation adjustment may not be

successful. Too many characteristics of the market are likely to have changed. Do not stretch data beyond their limits.

- ii. Generally select the most recent prices available. The greater the time difference, the greater the likelihood and impact of differences in market conditions. If you are comparing a current offer with a prior price, the ideal comparison would be with a contract price agreed to yesterday. That comparison would limit the effects of time on market conditions.
 - iii. However, do not select a price for comparison merely because it is the most recent. **Look instead for prices that were established under similar market conditions.** For instance, if you are buying potatoes in October, offers from the previous October may be more comparable to current offers than prices paid last February, given the cyclical pattern of supply and demand in the market for potatoes.
 - iv. Consider the most current available data on trends and patterns in market conditions. Remember that lags often occur between data collection and contract award. Changes in market conditions over that period can reduce the usefulness of the data assembled.
- c. **Quantity or Size.**
- i. Variations in quantity can have a significant impact on unit price. A change in quantity can have an upward effect, a downward effect, or no effect at all.
 - ii. In **supply and equipment** acquisitions, we usually assume that larger supply acquisitions command lower unit prices. Where economies of scale are involved, that should be the case. However, economies of scale do not always apply. Increases in order size beyond a certain point may tax a supplier's capacity and result in higher prices. Market forces may impose opportunity costs on a supplier which result in higher unit costs for greater volumes. For example, if the price of oil is expected to increase 20 percent over a 12-month period, a supplier may choose to withhold a portion for a sale at a later date when the price is higher. In such a market, the effect of purchase quantity on price may not be as expected; at some point, increases in volume will result in higher unit prices as the supply of the lower priced oil is exhausted. Finally, if a price comparison is based on standard commercial items that are produced at a regular rate, variations in

quantity may have no effect at all. A meaningful comparison of prices requires that the effect of volume on price be accounted for. The best way to do this is to select prices for comparison based on equal volumes. If that is not possible, examine the specific suppliers and the nature of the market at the time of the purchase.

- iii. In **service acquisitions**, the problems are different. Variations in size can sometimes be neutralized by reducing the comparison to price per square foot or price per productive labor hour. Because these approaches are not always effective, try to factor out size or quantity variations as much as possible. If you don't succeed, the price comparison will have little value.

d. Geographic Location -

- i. Geography can have a range of effects on comparability. Prices for many nationally advertised products will not vary much from place to place. Nevertheless, because geographic location can affect comparability, IFA should first try to compare offered prices with prices obtained from the same area. In major metropolitan centers, IFA should generally be able to identify comparable bases for price analysis in the region. In more remote, less urban areas, IFA must often get pricing information from beyond the immediate area.
- ii. When IFA has to compare prices across geographic boundaries, take the following actions to enhance comparability.

1. Check for differences in the level competition that may affect price comparisons.
2. Identify labor rate differences that must be neutralized for valid price comparisons.
3. Check freight requirements and accompanying costs. These can vary considerably, especially for chemicals and other hazardous materials.
4. Identify geographic anomalies or trends. For example, an item may be more expensive on the Western India than in the Eastern India.

- e. **Purchasing Power of the Rupee** - Inflation undermines comparability by eroding the real value of money. Because prices over time are expressed in the same currency, the denominations must have comparable purchasing power if

comparison is to be meaningful. IFA can normally use price index numbers to adjust for the changing value of the Rupee over time.

f. Extent of Competition - When comparing one price with another, assess the competitive environment shaping the prices. For example, IFA can compare last year's competitive price with a current offer for the same item. However, if last year's procurement was made without competition, IFA may not have a good price with which to compare the current offer. A poorly written specification and an urgent need may have combined to make competition impossible last year, but now the specifications have been rewritten and the delivery is not urgent. Given these circumstances, a current offer could be the same as (or less than) last year's best price and still not be reasonable.

g. Technology - Prices from dying industries can rise because the technologies don't keep pace with rising costs. Conversely, technological advances in growth industries can drive prices down. The computer industry is an example. Technological advances have been made so fast that a comparison of prices separated by only a few weeks must account for these advances if the comparison is to have any value. Engineering or design changes must also be taken into account. This means IFA must identify the new or modified features and estimate their effect on price.

h. Defence-Unique Requirements -

- i.** Often, the Defence's requirements vary to some degree from the commercial requirements for similar products. The question is the impact these variations have on price. For example, the Navy may require that the carpet in a Navy ship be fireproof to a far greater extent than any commercial carpet. That may justify a substantial difference in price over otherwise comparable commercial carpets.
- ii.** Similarly, Defence contracts may incorporate clauses in contracts that are not required in commercial market transactions. Consequently, comparison of an offer with commercial prices may be difficult. Unique terms and conditions affect prices, but it is often extremely difficult to assign a Rupee value to their effects.
- iii.** Just as Defence requirements may be different from commercial requirements; Defence requirements at a specific time and place may

be different than requirements at another time and place. These differences will also affect price comparisons.

3.8. DCF Technique —

a) Net Present Value (NPV) is a variant of DCF method which is to be used for evaluation of tenders. The Net Present Value of a contract is equal to the sum of the present values of all the cash flows associated with it. The following formula is to be used for calculating NPV of a tender bid

$$NPV = \frac{\sum A_n}{(1 + i)^t}$$

Where, NPV = Net Present Value

A = Expected cash flow for the period mentioned by the subscript

i = Rate of interest or discounting factor

t = The period after which payment is done

n = Payment schedule as per the payment terms and conditions

When choosing among the various bids for the contract, the bid with the lowest NPV should be selected.

b) The application of the Net Present Value Analysis in defence procurement would involve the following 5- steps:

- i. Step 1. Selection of the discount rate.
- ii. Step 2. Identifying the cash outflows to be considered in the analysis.
- iii. Step 3. Establishing the timing of the cash outflows.
- iv. Step 4. Calculating the net present value of each alternative.
- v. Step 5. Selecting the offer with the least net present value.

c) Discounting rate to be used under the method is to be the Government of India's lending rate on loans given to State Governments. These rates are notified by Budget Division of Ministry of Finance annually. The latest one is Ministry of Finance OM No F. 5 (3)-PD/2004 dated 22nd July 2004 (as per which the borrowing rate is 9.5%).

d) The following clause is to be incorporated in the RFP:-

"The Buyer reserves the right to evaluate the offers received by adopting Discounted Cash Flow (NPV) method with a discounting rate of ---%." The above clause can serve as a model and will need to be moderated according to the requirements of specific contracts and the areas where the evaluation by DCF is likely to be undertaken (e.g. AMC, or different payments terms or lease purchase options etc.). The criteria for evaluation under this method are to be clearly stated to ensure transparency.

- e) Structuring Cash Flows for Tenders/ Bids Received in the Same Currency -
- i. The first step would be to exclude the unknown variables like escalation factors etc while determining the cash flows.
 - ii. Thereafter, the cash outflows expected as per the contract schedule from different tenders should be taken into consideration and where the cash outflows are not available from the tender documents the same should be obtained from the vendors by the CNCs.
 - iii. Once the outflows of different tenders become available, NPV of different tenders is to be calculated using the formula given above and select the one having lowest NPV.
- e) Structuring Cash Flows for Tenders/ Bids Received in Different Currency-
- i. Where bids are received in different currencies/combination of currencies, the cash outflow may be brought to a common denomination in rupees by adopting a Base Exchange rate as on the day of opening of price bids. Thereafter, the procedure as described above in the case of tender bids received in the same currency should be applied to arrive at NPV. Conversion of foreign currency bids into rupee is to be done by taking into account the BC selling rate of Parliament Street Branch of State Bank of India, New Delhi on the date of the opening of price bids.
 - ii. Any standard software like 'MS Excel', 'Lotus 1-2-3' or any other spreadsheet, could be used for NPV analysis.

3.9. Negotiation Techniques

a) Preparing for Negotiations -

- i. Planning and preparing for negotiations starts long before the actual negotiation takes place. It is important for IFAs to find out at an early stage what the vendor's view of the negotiations will be: what exactly are they hoping to achieve? In exceptional cases a supplier does not want to sell at all, but keeps the discussion going to collect basic information about changing usage patterns and future strategy. What interests are probably shared, and what are the expected potential subjects of opposing interests (conflict)? To get some idea, a useful tactic can be to ask what subjects the other party wants on the agenda (this in itself can prompt preliminary negotiations).
- ii. It is important to find out as much as possible about the other party. If it is a new supplier, examination of annual reports and bank references

is a prerequisite. If it is an existing supplier, it is wise to analyze the past deliveries - have there been problems in the past with this supplier? (e.g. low delivery reliability, quality defects, unexpected demand for escalation, etc). There is no harm in trying to quantify the scope of these problems. Furthermore, it is also important to know the authority and level of Vendor's rep (ex - Sales reps of vendor will have an eye for detail and normally come well prepared). It is important, after having gathered the necessary information, to have an idea of possible points of agreement between buyer and seller.

b) Planning Negotiations - When the homework has been done, planning of the negotiations can begin. An eight-step approach is proposed for IFAs -

- i.** Establish the objectives of Negotiation for PNC - What exactly do you want to accomplish by means of the transaction with the supplier? Make a distinction between the short-term benefits you want to achieve, and the long-term benefits you see. Sometimes it is necessary that you tone down your short-term expectation a little for the benefit for the long-term interests. Ex - An OEM may be willing to let something off the sales price, only to compensate for this reduction at a later stage through higher AMC rates, spare parts' pricing, etc.
- ii.** Gather facts that can have big impact on negotiations - Importance of going through past files with purchases of similar items is strongly recommended. Go through past Notings, Minutes, relevant enclosures, etc carefully to gather ammunition for facing vendor in PNC. Conduct Market Research for gathering inputs like market price, technical details, etc about the items being negotiated. Learn about the Vendors like market standing, financial position, past history with users, etc.
- iii.** Assess the power position of each of the parties - It is important to determine the foundation of the other party's power position, and whether this is a reason for concern. In price negotiations, Sales reps of vendors sometimes hide behind the price list or the company's guidelines. Do you accept this type of argument or don't you?
- iv.** Determine the points of common interest - In many PNCs, most of the time is spent on issues one cannot agree upon. If these are the only issues that receive attention, it will be very difficult to reach an agreement. It is more important to establish the points of agreement. Focusing attention here leads

to a more positive atmosphere. If price is proving to be a tough issue to handle, then flexibility in delivery, payment terms, technical clarifications, etc may be shown first as they may be equally crucial to vendor.

- v. Make a list of questions - A systematic approach is important in negotiations. Resist the temptation to respond immediately to details or new information presented by the other party. If this new information sheds a completely different light on matters, then redo the questions.
 - vi. Define your tasks - Both parties will probably make concessions during the process of negotiation. It is unrealistic to expect the other party to do it all. You can plan your concessions in advance in Internal PNC. To be able to do this, it is important that you establish:
 - 1. What for you would be the best possible result (what do you think is the feasible maximum result that the other party would agree to, given the circumstances?)
 - 2. What for you would be the most likely result (what do you think is realistically feasible, and would that result be acceptable to you?)
 - 3. What for you would be the worst possible result (what is the minimum you would settle for, if there is no other possibility?)
 - vii. Decide on the division of roles in your negotiating team - Always talk on this issue in advance with the Chairman of PNC and get the role delineated clearly. This helps in PNC acting as a team in front of vendor rather than speaking in several voices and tones.
 - viii. Plan your concessions - What will be your opening bid? When will you make it? Should concession be made without asking for something in return to break stalemate? Discuss with PNC members which concessions you are willing to make, and which concessions you absolutely will not make under any circumstances. You can do the same for the vendor. What concessions do you think they are willing to make and what is absolutely unrealistic to expect?
- c) **Negotiation Tactics** - While negotiating, you may follow one of the tactics mentioned below -
- i. Take-it-or-leave-it - One party wants to impose its terms on the other party, without making concessions. This tactic can be used by buyers who are aware of their power position vis-a-vis the supplier and is intended to lower the other party's aspiration level.

- ii. **Bogey** - In this tactic, the buyer approaches the supplier in a very friendly way and comments on his proposal positively. However, the buyer lets the supplier know that, if there is to be any business, the proposal will have to be slightly adjusted in view of the very specific situation. With this tactic, the negotiating atmosphere remains open and the supplier can utilize all his talents to develop a better deal.
- iii. **Chinese crunch** - In this situation, it is declared that an agreement with the supplier is possible, as soon as he solves just one little problem. Obviously, this little problem is interpreted differently by the seller! This tactic is to effectively bulldoze the agreement, which was as good as settled in the seller's mind, just before it reaches home; for example, there is an agreement about their price, but the buyer then informs the seller that transportation is the latter's responsibility. Practice shows that vendor's sales people are ready to make considerable concessions in this stage of the negotiating process.
- iv. **Auction** - In this situation, the buyer makes the supplier explain why they should do business together. If the buyer also applies this tactic to the others, a lot will be learned about the competition. Information is obtained without too much effort. It is, of course, desirable to check the accuracy of the information.
- v. **Good guy -bad guy** - Negotiations can start with an extremely tough bargaining with harsh tones by one member of PNC. When vendor's hopes are dimmed and his expectations are lowered down , then another member takes over with soft approach and with a win-win situation approach. It is proved that vendors are vulnerable at this stage and will jump to reach an agreement, which can be made in more favourable terms for the buyers.

d) Stages in Purchasing Negotiations - If the preparations have been concluded and agreement is reached about the tactic to be used, the negotiations can be started. In practice, negotiation processes follow a certain pattern and, in general, four stages can be discerned in the course of the negotiating process.

- i. **Exploration** - During this first stage, both parties try to get acquainted. Next they try to discover the mutual interests and intentions. They also try to assess the importance of the negotiations for the other party. This is done by exchanging information: everybody

listens, both parties explain or ask for clarification of particular statements, and they continually check whether they understand each other. It is important to listen closely to the other party, and not make a first offer. Furthermore, one should not respond too specifically to questions from the other party. The objective of this stage is to establish the context of the negotiations.

- ii.** Reflection - This stage consists of digesting the information received from the other party. Does this information necessitate a revision of your objectives? Did you overlook certain things in your preparations? Were your assumptions about the other party's willingness to reach an agreement correct, or do they now turn out to be wrong? Receiving new information can cause you to request a short break so you can consult with your partner.
 - iii.** Negotiation - In this phase, true negotiation takes place. Concessions are made on both sides. It is important to check how the other party responds to concessions made by you (through both verbal and non-verbal reactions). Don't jump to conclusions during this stage; avoid insulting remarks and, most importantly, don't concede more than your planning allowed for.
 - iv.** Closing - Repeat and summarize the agreements that have been made. Is the other party satisfied with the results? Take your time to round off the negotiations well, so there is no possibility of misunderstandings about the results that have been achieved.
 - v.** This list can be helpful to IFAs as buyers. It is important to be aware of the stage the negotiations are at, all of the time. Practice shows time and time again that the first stage is the most time consuming. This leaves less time for the actual negotiations and the closing part and one common result is misunderstandings about who is supposed to do what. Both parties will then dispute parts of the agreements afterwards.
- e)** Negotiating is a difficult job, because it can involve so many different subjects. This work furthermore requires a certain disposition, namely a willingness to cooperate to reach an agreement that will benefit both parties.

Advanced issues at Post-Contract Management stage

1. The advanced issues mentioned in this chapter are akin to desirable QRs. These are meant for higher level IFAs and that too on as required basis. The topics have been only given brief introduction as each one of them requires extensive readings for effective use in procurement. This is only an attempt to familiarize IFAs with advanced themes, which can be pursued on their own depending upon level, aptitude and requirements of individual IFA.

2. Contract Legal Provisions –

- a. **What is a Contract?** The proposal or offer when accepted is a promise, a promise and every set of promises forming the consideration for each other is an agreement, and an agreement if made with free consent of parties competent to contract, for a lawful consideration and with a lawful object is a contract.
- b. **Proposal or Offer:** When one person signifies to another his willingness to do or to abstain from doing anything, with a view to obtaining the assent of the other to such act or abstinence, he is said to make a proposal or offer. In a sale or purchase by tender, the tender signed by the tenderer is the proposal. The invitation to tender and instructions to tenderers do not constitute a proposal.
- c. **Acceptance of the Proposal:** When the person to whom the proposal is made signifies his assent thereto, the proposal is said to be accepted. A proposal when accepted becomes a promise.
- d. **What agreements are contracts:** An agreement is a contract enforceable by law when the following are satisfied. A defect affecting any of these renders a contract un-enforceable.
 - i. Competency of the parties
 - ii. Freedom of consent of both parties
 - iii. Lawfulness of consideration
 - iv. Lawfulness of object
- e. **Competency of Parties -** Under law any person who has attained majority and is of sound mind or not debarred by law to which he is subject, may enter into contracts. It, therefore, follows that minors

and persons of unsound mind cannot enter into contracts nor can insolvent person do so. Categories of persons and bodies who are parties to the contract may be broadly sub-divided under the following heads: - Individuals, Partnerships, Limited Companies & Corporations other than limited companies

- i. **Contracts with Individuals:** Individuals tender either in their own name or in the name and style of their business. If the tender is signed by any person other than the concerned individual, the authority of the person signing the tender on behalf of another must be verified and a proper power of attorney authorizing such person should be insisted on. In case, a tender is submitted in a business name and if it is a concern of an individual, the constitution of the business and the capacity of the individual must appear on the face of the contract and the tender signed by the individual himself as proprietor or by his duly authorized attorney.
- ii. **Contracts with Partnerships:** A partnership is an association of two or more individuals formed for the purpose of doing business jointly under 16 a business name. It is also called a firm. It should be noted that a partnership is not a legal entity by itself, apart from the individuals constituting it. A partner is the implied authority to bind the firm in a contract coming in the purview of the usual business of the firm. The implied authority of a partner, however, does not extend to enter into arbitration agreement on behalf of the firm. While entering into a contract with partnership firm care should be taken to verify the existence of consent of all the partners to the arbitration agreement.
- iii. **Contracts with Limited Companies:** Companies are associations of individuals registered under Companies Act in which the liability of the members comprising the association is limited to the extent of the shares held by them in such companies. The company, after its incorporation or registration, is an artificial legal person which has an existence quite distinct and separate from the members of shareholders comprising the same. A company is not empowered to enter

into a contract for purposes not covered by its memorandum of association; any such agreement in excess of power entered into the company is void and cannot be enforced. Therefore, in cases of doubt, the company must be asked to produce its memorandum for verification or the position may be verified by an inspection of the memorandum from the office of the Registrar of Companies before entering into a contract. Normally, any one of the Directors of the company is empowered to present the company. Where tenders are signed by persons other than Directors or authorized Managing Agents, it may be necessary to examine if the person signing the tender is authorized by the company to enter into contracts on its behalf.

iv. Corporation other than Limited Companies: Associations of individuals incorporated under statutes such as Trade Union Act, Cooperative Societies Act and Societies Registration Act are also artificial persons in the eye of law and are entitled to enter into such contracts as are authorized by their memorandum of association. If any contract has to be entered into with any one or such corporations or associations, the capacity of such associations to enter into contract should be verified and also the authority of the person coming forward to represent the said Association.

f. Consent of both Parties - Two or more persons are said to consent when they agree upon the same thing in the same sense. When two persons dealing with each other have their minds directed to different objects or attach different meanings to the language which they use, there is no agreement. The misunderstanding which is incompatible with agreement, may occur in the following cases: -

- i.** When the misunderstanding relates to the identity of the other party to the agreement;
- ii.** When it relates to the nature or terms of the transactions;
- iii.** When it related to the subject matter of the agreement.

g. Free consent of both Parties - The consent is said to be free when it is not caused by coercion, undue influence, fraud, mis-

representation or mistake. Consent is said to be so caused when it would not have been given but for the existence of coercion, undue influence, fraud, mis-representation or mistake. When consent to an agreement is caused by coercion, undue influence, fraud or misrepresentation, the agreement is a contract voidable at the option of the party whose consent was caused. A party to a contract, whose consent was caused by fraud or misrepresentation, may, if he thinks fit, insist that the contract shall be performed, and that he shall be put in the position in which he would have been if the representations made had been true. In case consent to an agreement has been given under a mistake, the position is slightly different. When both the parties to an agreement are under a mistake as to a matter essential to the agreement, the agreement is not voidable but void. When the mistake is unilateral on the part of one party only, the agreement is not void. Distinction has also to be drawn between a mistake of fact and a mistake of law. A contract is not void because it was caused by a mistake as to any law in force in India but a mistake as to law not in force in India has the same effect as a mistake of fact.

- h. Consideration** - Consideration is something which is advantageous to the promisor or which is onerous or disadvantageous to the promisee. Inadequacy of consideration is, however, not a ground avoiding the contract. But an act, forbearance or promise which is contemplation of law has no value is no consideration and likewise an act or a promise which is illegal or impossible has no value.
- i. Lawfulness of object** - The consideration or object of an agreement is lawful, unless it is forbidden by law or is of such a nature that if permitted, it would defeat the provisions of any law, or is fraudulent or involves or implies injury to the fraudulent property of another or the court regards it as immoral or opposed to public policy. In each of these cases the consideration or object of an agreement is said to be unlawful.
- j. Communication of an Offer or Proposal** - The communication of a proposal is complete when it comes to the knowledge of the person to whom it is made. A time is generally provided in the tender forms

for submission of the tender. Purchaser is not bound to consider a tender, which is received beyond that time.

k. Communication of Acceptance - A date is invariably fixed in tender forms upto which tenders are open for acceptance. A proposal or offer stands revoked by the lapse of time prescribed in such offer for its acceptance. If, therefore, in case it is not possible to decide a tender within the period of validity of the offer as originally made, the consent of the tenderer firm should be obtained to keep the offer open for further period or periods. The communication of an acceptance is complete as against the proposer or offerer, where it is put in the course of transmission to him, so as to be out of the power of the acceptor, and it is complete as against the acceptor when it comes to the knowledge of the proposer or offerer. The medium of communication in government contracts is generally by post and the acceptance is, therefore, complete as soon as it is posted. So that there might be no possibility of a dispute regarding the date of communication of acceptance, it should be sent to the correct address by some authentic foolproof mode like registered post acknowledgement due, etc.

l. Acceptance to be identical with Proposal - If the terms of the tender or the tender, as revised, and modified, are not accepted or if the terms of the offer and the acceptance are not the same, the acceptance remains a mere counter offer and there is no concluded contract. It should, therefore, be ensured that the terms incorporated in the acceptance are not at variance with the offer or the tender and that none of the terms of the tender are left out. In case, uncertain terms are used by the tenderers, clarifications should be obtained before such tenders are considered for acceptance. If it is considered that a counter offer should be made, such counter offer should be carefully drafted, as a contract is to take effect on acceptance thereof. If the subject matter of the contract is impossible of fulfillment or is in itself in violation of law such contract is void.

m. Withdrawal of an Offer or Proposal - A tenderer firm, who is the proposer may withdraw its offer at any time before its acceptance, even though the firm might have offered to keep the offer open for a

specified period. It is equally open to the tenderer to revise or modify his offer before its acceptance. Such withdrawal, revision or modification must reach the accepting authority before the *date and time of opening of tender*. No legal obligations arise out of such withdrawal or revision or modification of the offer as a simple offer is without a consideration. Where, however, a tenderer agrees to keep his offer open for a specified period for a consideration, such offers cannot be withdrawn before the expiry of the specified date. This would be so where earnest money is deposited by the tenderer in consideration of his being supplied the subsidiary contract and withdrawal of offer by the tenderer before the specified period would entitle the purchaser to forfeit the earnest money.

- n. Withdrawal of Acceptance** - An acceptance can be withdrawn before such acceptance comes to the knowledge of the tenderer. A telegraphic revocation of acceptance, which reaches the tenderer before the letter of acceptance, will be a valid revocation.
- o. Changes in terms of a concluded Contract** - No variation in the terms of a concluded contract can be made without the consent of the parties. While granting extensions or making any other variation, the consent of the contractor must be taken. While extensions are to be granted on an application of the contractor, the letter and spirit of the application should be kept in view in fixing a time for delivery.
- p. Discharge of Contracts** - A contract is discharged or the parties are normally freed from the obligation of a contract by due performance of the terms of the contract. A contract may also be discharged: -
 - 1. By mutual agreement:** If neither party has performed the contract, no consideration is required for the release. If a party has performed a part of the contract and has undergone expenses in arranging to fulfill the contract it is necessary for the parties to agree to a reasonable value of the work done as consideration for the value.
 - 2. By breach:** In case a party to a contract breaks some stipulation in the contract which goes to the root of transaction, or destroys the foundation of the contract or prevents substantial performance of the contract, it discharges the innocent party to proceed further with the performance and entitles him to a right of

action for damages and to enforce the remedies for such breach as provided in the contract itself. A breach of contract may, however, be waived.

3. By refusal of a party to perform: On a promisor's refusal to perform the contract or repudiation thereof even before the arrival of the time for performance, the promisee may at his option treat the repudiation as an immediate breach putting an end to the contract for the future. In such a case the promisee has a right of immediate action for damages.

q. In a contract where there are reciprocal promises: If one party to the contract prevents the other party from performing the contract, the contract may be put to an end at the instance of the party so prevented and the contract is thereby discharged.

r. Stamping of Contracts - Under entry 5 of Schedule I of the Indian Stamp Act, an agreement or memorandum of agreement for or relating to the sale of goods or merchandise exclusively is exempt from payment of stamp duty. (A NOTE OR MEMORANDUM sent by a Broker or Agent to his principal intimating the purchase or sale on account of such principal is not so exempt from stamp duty.) The Stamp Act provides that no Stamp Duty shall be chargeable in respect of any instrument executed by or on behalf of or in favour of the Government in cases where but for such exemption Government would be liable to pay the duty chargeable in respect of such instrument. (Cases in which Government would be liable are set out in Section 29 of the Act).

s. Authority for Execution of Contracts - As per Clause 1 of Article 299 of the Constitution, the contracts and assurances of property made in the exercise of the executive power of the Union shall be executed on behalf of the President. The words "for and on behalf of the President of India" should therefore follow the designation appended below the signature of the officer authorized in this behalf. The various classes of contracts and assurances of property, which may be executed by different authorities, are specified in the Notifications issued by the Ministry of Law from time to time.

3. Project Management –

a) IFAs can often be involved in procurement activities of a large project, particularly in IT, Capital cases, etc. That will essentially mean they getting involved in planning of the whole project per se. The first step of any plan, like the first step of any problem, will be the gathering of facts, which means doing some research. Purchasing planning and research can be aided by the use of the Critical Path Method (CPM) or by the Programme Evaluation and Review Technique (PERT). Both these systems are based on the same concepts, although differing in details, and can be designed to make planning more effective. Advantages of these techniques are that they :

- 1) Provide means for careful planning of all activities and all variables involved.
- 2) Provide an overview of the entire procedure, with a clearer understanding of the interrelationships of the activities.
- 3) Provide for constant feedback to assure that all activities are on schedule.
- 4) Identify potential problems early so that resources can be diverted to avoid cumulative delays.
- 5) Make it possible to accurately predict completion time for the project.

b) The PERT / CPM schedule permits purchasing to know what raw materials and component parts are needed when for the various activities. This permits the buyer to make the most economical purchasing and transportation decisions. The buyer, with the knowledge of the latitude of delivery time, can select low-cost suppliers who offer longer lead times. This is one way that purchasing can reduce the total cost of materials. With the PERT/CPM network system, the purchaser has contact with the entire project and is in excellent position to ensure the availability of the right quantity and quality at the right time. These systems can quickly indicate when a crucial delivery is approaching or passed and alert the purchasing dept to follow-up and/or expedite the delivery of the needed material. A prior knowledge of potential rise and fall in demand of materials can help IFA in giving useful advice to plan the quantity of procurement at a particular stage.

4. Repair and Maintenance Philosophy of Defence – IFAs need to be aware of the Repair and Maintenance Philosophy of Defence in order to appreciate not only Post-Contract Management issues but also to use these inputs while discussing issues like Warranty, AMC during PNCs. The various levels of repairs are explained in succeeding paras.

a) Unit Repairs - These are repairs carried out within the unit holding this equipment with tools generally held within the unit or supplied by the manufacturer with each equipment or as per scaling of 1:10 or any other scaling recommended by the manufacturer as per population held in the unit. These pertain to cleaning, lubrications, minor repairs and replacement of components and minor assemblies that can be carried out in field without any sophisticated tools or test equipment. For carrying out such repairs, following things are asked from the manufacturer :-

- i. Table of Tools and Equipment (TOTE) with each equipment including operators manual.
- ii. Scaling of special tools and spares as explained at para 2 above including
- iii. Maintenance manual.

b) Field Repairs - These are repairs carried out in the field by technicians specially trained for this purpose and where the required special tools and spares have to be provided. These repairs comprise replacement of major assemblies and other components beyond the scope of unit level repairs. Normally a field work shop that carries out such repairs looks after three to four units holding the said equipment. For carrying out such repairs, following things are asked from the manufacturer: -

- (i) Quantity and specification of spares that need to be stocked.
- (ii) Special Maintenance Tools and Test Equipment that need to be provided to each such field work shop.
- (iii) All necessary technical literature.
- (iv) Miscellaneous aspects, if any (viz. All necessary technical literature.).

b) Intermediate Repairs - These are extensive or special repairs carried out for a few equipment in the field to reduce the down time.

c) Base Repairs - In order to avoid dependence on the manufacturer in terms of factory repair, all repairs including repairs to components, subassemblies and overhaul of the complete equipment are carried out by this facility. For carrying out such repairs, following things are asked from the manufacturer

- I. All Special Maintenance Tools, jigs, fixtures and test equipment for carrying out repairs up to component level.
- II. Quantity and specification of spares, sub assemblies as per population expected to be maintained.
- III. Oils and lubricants necessary for overhaul.

IV. All necessary technical literature.

V. Calibration facilities for test equipment.

- d) Manufacturers Recommended List of Spares (MRLS)** – This is required to sustain the equipment for a specified period. They are divided as under -
Low Cost. Less than 2 % of the unit cost of the equipment/sub system.
Medium Cost. 2 to 10% of the unit cost of the equipment/sub system.
- e) High Cost.** Greater than 10 % of the unit cost of equipment/subsystem.
- f) Special Maintenance Tools and Test Equipment** – These are equipment-specific specialized tools.
- g) Maintainability Evaluation Trials (MET)** - This is carried with a view to facilitate provisioning of effective engineering support during life cycle of the equipment. This would involve stripping of the equipment and carrying out recommended tests and adjustments and establishing adequacy of maintenance tools, test equipment and technical literature.

CHECKLISTS

DO's and DON'Ts

1. Files to be marked to IFA after due process through staff channel and recommendation of the Head of Branch concerned and will be based on regular notings on file.
2. SOC to be prepared giving full details of existing holdings, deficiency, reasons justifying procurement of extra quantity, up gradation/ replacement duly supported with technical data and reasonable financial implication and distribution of proposed quantity.
3. All the proposals to be submitted duly citing specific para and appx. of schedule etc. or the Government order/regulations along with head of expenditure under which purchase/procurement is to be made.
4. The SOC should indicate all the information relevant to the case like urgency factor, alternatives, feedback from field, observance of economy, operational aspects etc.
5. The SOC, minute sheet, draft tender enquiry, draft supply order, TPC/PNC proceedings etc. may be submitted in duplicate to facilitate maintenance of shadow files for future reference by the IFA.
6. Method of procurement viz. open tender enquiry, limited tender enquiry or single tender to be specified with reasons.
7. In respect of proposals containing AMC, necessity and reasonableness to be given.
8. Abbreviations to be used after explaining the full form of the same in the beginning of the SOC.
9. Availability of funds to be certified.
10. Copy of approved vendor list should be enclosed with the proposal/SOC. The vendors should be classified for different types of items for which their shops/firms are registered to do the business. As far as possible, the general suppliers and those suppliers whose shops are registered for resale of various stores etc. should be avoided.
11. Appropriate unit cost including accessories etc. is to be supported by last purchase rate and market survey etc. The rates obtained thorough market survey should be in consonance with the prevailing market rates of the intended items. For the purpose of comparison, the previous purchase rate of the items should be placed on file duly indicating the date of such last purchase.

12. If items are available against DGS & D rate contract, the procurement should be resorted through such firm with whom the DGS & D rate contract is concluded. Such proposals should be accompanied with the complete set of valid DGS & D rate contract and such contract should not have time expired.
13. Draft Tender Enquiry should be prepared as per the prescribed format.
14. One copy of each sanction/supply order in respect of all the proposals concurred by the IFA duly incorporating the note number and date of concurrence to be forwarded to IFA for reference and record.
15. The purchases will not be split up simply to bring the value thereof within the financial powers of the CFA in lower formation.
16. The security deposit clause, wherever applicable, should be incorporated in the supply order. The security deposits wherever included in the supply order will be strictly enforced.
17. The validity of commercial quote of the vendor should be got extended wherever necessary.
18. The L1 vendor should be instructed to acknowledge receipt of supply order placed immediately, as it has a bearing on the matter for granting extension of delivery period.
19. Extension of delivery period to firms without liquidated damages is to be discouraged except in genuine circumstances beyond the control of vendor.
20. It will be ensured that all stipulations contained in various GOI MOD letters, GFR-2005, DPM-2006 & CVC Guidelines are strictly adhered to.
21. Computers, peripherals, ancillary etc. procurable under IT Head will not be procured under I & M grant.

GENERAL POINTS

1. VENDORS IDENTIFICATION AND SELECTION:

The objective behind identification of proper source of supply, registration of vendors and their periodic evaluation is to obviate the necessity of denovo search of a supplier for each demand. An exhaustive directory of reliable vendors dealing with different categories of stores is essential prerequisite for prompt initiation of purchase action and to ensure fair and healthy competition and to include genuine, reliable and authorized original equipment manufacturers, stockists, authorized and registered dealers and distributors of OEM products relevant to the requirements of the units and formations. It is essential that directory of vendors is periodically updated by exploring new vendors and by sharing such information within and amongst each Command HQrs with emphasis on indigenous and accurate source of supply. Specific care is to be taken to eliminate general dealers/general suppliers and those suppliers whose shops are registered for resale of certain items. During the market survey it has to be ensured that the vendor identified for supply of a particular item of store factually deals with such item of store and his shop is registered for it. The credentials of the firms identified during the market survey will be verified with regard to the antecedents of the firm, shop registration, financial standing, capacity, reliability, bonafides (ST/VAT/CST numbers, service tax registration no., IT returns etc) and the past performance etc.

2. GUIDELINES

As a normal procedure, the open tender system should be followed as provided in financial regulations. In genuine cases, limited tender action could be resorted to with the approval of CFA citing specific reason thereof. Some of the important points to be seen while selecting vendors for any article of purchase are:-

- (a) Original equipment/item manufacturers (OEM) or their authorized representative be included in the list, example Asian Paints, Nerolac, Berger etc, should be included for paints and thinner.
- (b) Maximum number of authorized representatives of OEM in different stations should be included to generate competition.

- (c) Unauthorized representatives of OEM if known should not be selected/included in the vendor list.
- (d) 100% vendors from same market/station should be avoided as far as possible.
- (e) To verify the genuineness, registration of the firm be checked to see if it is registered for product it is claiming to supply.
- (f) Vendors registered for one product should not be selected for different product for which his shop is not registered.
- (g) If SOC has different categories of products then in such a case list of vendors could be separate for each category and L1 bidder could be identified for each category of product and supply order should be placed on each L1 bidder.

OFFICE NOTE/TOP LIST FOR AON CONCURRENCE CASES

No.IFA/
Dt. / /

Subject:

1. Case file bearing No.
2. Received from
3. Name of item
4. Qty
5. Rs.
6. PPP SI No.
7. Necessity of the item has been justified in SOC at Para
 - I Authorization of the item WET/PET
 - II Existing Holdings and deficiency
 - III Distribution of the proposed item
 - IV Disposal of the existing item, in case of old vintage.
 - V Existing System
 - VI Proposed system
 - VII Benefits likely to accrue
8. Schedule under which covered and CFA
9. Whether item available on DGS&D Rate Contract
10. Mode of tendering OTE/LTE/STE/PAC/DGS&D R/C etc.
11. List of vendors (Nos). Approved/Not Approved/DGS&D approved
12. Market survey carried out
13. Recommendations by penultimate CFA
14. QRs/Specifications
15. Fund availability
16. Draft Tender Enquiry prepared as per DPM-2006
17. QR/Specifications attached with TE.

SAO

AIFA/DIFA

CHECK LIST FOR OPENING OF TECH BIDS/TEC

1. Whether TE issued as per the vendor list.
2. No. of vendors offered their quotes.
3. No. of vendors submitted their EMDs
4. Date of opening of Technical bids by a separate board
5. Date of TEC held. (Same/Separate Board)
6. Whether constitution of TEC as prescribed
7. CST of Technical quotes prepared
8. No. of vendors meeting QR/Tech specifications
9. Recommended for consideration in TPC
10. No. of vendors rejected in TEC
11. Reasons for rejection
12. Whether TEC report accepted by the CFA

SAO

AIFA/DIFA

**OPENING OF COMMERCIAL BIDS/PREPARATION OF
CST/TPC**

1. No. of vendors recommended by the TEC for consideration in TPC
2. Whether opening of commercial Bids by a Separate board.
3. Whether Comparative Statement Of Tenders prepared as per quotes
4. Declaration of L1 vendor on the basis of lowest quote. With or without customs/excise duty exemption /CST/Freight/other charges applicable
5. Date of TPC/PNC held (Station)
6. IFA Rep attended the TPC
7. Cost of the Project before negotiation
8. Cost of the Project after negotiation
9. Savings achieved (if any)
10. TPC negotiated on the following terms
 - A Duty Exemption Certificate/Form/C/D
 - B Taxes/Freight Charges
 - C Warranty
 - D AMC Charges/ Spares
 - E Training
 - F Any other terms & conditions.
11. Draft Supply order prepared as per the Terms and conditions of DPM-2006 & terms agreed in the TPC/PNC Yes/No

SAO

AIFA/DIFA

CHECK LIST FOR EXTENSION OF DELIVERY PERIOD CASES

1. Draft supply order vetted on
2. Supply order No. dt.
3. Cost of the Project
4. Actual date of Delivery
5. Date up to which extension applied for
with/without levy of liquidated damages
6. No. & date of letter under which Firm
has applied for extension
7. Reasons for seeking extension of D.P.
8. Rate of Liquidated Damages
9. Recommendation with LD/without LD

SAO

AIFA/DIFA

CHECKLIST FOR SCHEDULE I-A & B

CHECK LIST AND SOPs TO BE FOLLOWED AT UNIT/COMMAND HQs LEVEL

- (i) The employment of temporary personnel on IAFA-497 is designed to meet unforeseen and emergent commitments and is to be sanctioned by competent financial authority under the powers vested in them.
- (ii) These financial powers are to be exercised subject to availability of funds under sub head C (d) casual employees in formation other than Air Headquarters.
- (iii) Employment of temporary personnel on IAFA-497 is not permitted for task for which necessary provision has already been made in the authorized establishment.
- (iv) Proposal for employment of additional temporary personnel should be submitted to the Competent Financial authority on IAFA-497 in triplicate well in time to enable him to examine the proposal carefully. Besides showing the number of personnel by classes, rates of pay and allowances, period of employment. Total expenditure involved and justification.
- (v) The temporary employment can be sanctioned only in such classes of personnel as are included in the regular establishment of a unit.
- (vi) Such employees are to be paid only at the minimum of the scale of pay prescribed for corresponding posts on regular establishment plus DA, CCA and HRA at normal rates.
- (vii) Temporary employment for clerks cannot be sanctioned by an officer possessing financial powers for his own office for which sanction of the next higher CFA is required.
- (viii) In case of Command Headquarters, sanctions will be accorded by Air Headquarters.
- (ix) The employment of personnel on IAFA-497 should be sanctioned for short duration only to meet additional emergent commitments, which could not be foreseen. If and when sanction of the higher authority is applied for continued employment of individuals beyond the initial sanction, the reasons as to why the continuation of employment beyond the date or initial sanction could not be foreseen at the time of initial sanction itself be indicated.

- (x) The employment must not be split up and sanctioned piecemeal to avoid reference to the higher authority.
- (xi) If the expenditure is within the laid down financial limits the case will be put up to IFA for the necessary concurrence wherever applicable.
- (xii) On receipt of the case from IFA's concurrence, wherever applicable or otherwise, the case will be put up for CFA for necessary sanction.
- (xiii) Contingent bill duly supported by pre-receipted bill from the suppliers to be preferred by the Station Adjutant to the Senior Accountant Officer after registering the same under OCG Code Head.

SOPs to be followed at Command

Similar SOPs as enumerated in Rule 58 C (i) will be followed.

CHECKLIST

- (i) Whether demanded item is an authorized item as per Financial Regulation Part-I/other Govt Orders.
- (ii) Whether Local purchase procedures as prescribed in FR, GFR, DFPR, MOD and CVC guidelines as to tendering, TPC/PNC where applicable and contracting have been strictly followed.
- (iii) The items purchased are not available through service sources
- (iv) The expenditure incurred is in the interest of service.
- (v) The items purchased are not for more than three months' requirement.

SCHEDULE I (C) & (D)

AON

The following points may be seen :

1. Whether full justification is submitted through a SOC which should include the following :
 - i) Drawbacks in the existing system and proper justification for carrying out experimental trials, modification/manufacture of tools.
 - ii) A copy of the report based on which modification is proposed.
 - iii) Details of existing facility available, when it was procured and its cost.
 - iv) The equipment to be modified – aircraft, its systems or ground-based systems.
 - v) Technical feasibility of the project indicating –
 - a) Complexity of the item from manufacturing angle and availability of technology for manufacture.
 - b) Availability of material including equivalent substitute material.
 - c) Availability of test facilities for airworthiness certification.
2. Whether the CFA has been correctly proposed i.e. VCAS for operational requirement, DCAS for projects and AOM for technical requirements.
3. Whether AOC-in-C MC and AOC/OC of Self-accounting Repair Depots are proposed as CFAs for only technical requirements including that for specialist vehicles and associated equipment and not for operational needs.
4. Whether for modification of specialist vehicles and associated equipment for operational needs, CFA proposed is AOC-in-C of Commands other than MC.
5. Whether only a minimum inescapable quantity is being modified initially to see whether it is successful.
6. Whether number of equipments authorized, held and No. proposed for modification have been given.
7. Whether clearance of HQMC has been obtained for modification.
8. Whether cost and reasonability of price is established based on budgetary quotes.
9. Whether tangible / intangible benefits likely to accrue have been brought out clearly.
10. Whether financial outlay and availability of funds has been indicated.

11. Whether timeframe within which modification is to be carried out has been indicated.
12. Whether an assurance of future budgetary support has been given.
13. Whether tools available in inventory and those to be bought have been indicated.
14. Whether the code head to which expenditure is debitable is indicated.
15. Whether the following documents are enclosed with the SOC :
 - i) Draft sanction letter indicating total financial implications along with details of items and quantity, etc for which sanction is required.
 - ii) Vendor list/PAC certificate signed by authorized officer.
 - iii) Type of tendering to be followed – OTE/LTE.
 - iv) Fund availability certificate.
16. Whether other General Points have been verified.

Vetting of RFP. Points to be seen

- i) Whether all the General Points have been seen.
- ii) Whether vendor list has been maintained for different specializations.
 - a. Whether vendor list is reviewed and updated in consultation with various specialist agencies like NAL/IGCAR/HAL/ ADA/CEMILAC/ RCMA/ DRDO/DGAQA, etc.
- iii) Whether in case of non PAC Single Tender Enquiry cases, proper justification has been given for selecting the vendor.
- iv) Whether the pre-qualification criteria fixed for participation in TE is clearly spelt out.
- v) Whether the proposal has the recommendation of penultimate CFA.
- vi) Whether tender is signed only by an officer authorized by the CFA to do so.
- vii) Whether all standard terms and conditions such as quantity, name of consignee, DP, mode of payment, option clause, SD, LD clause, warranty, etc are included in TE.
- viii) Whether the vendor is expected to do the entire project or only a part of it. (Responsibility of IAF and vendor be clearly indicated in TE).
- ix) Whether the drawing/specification/test schedules are available or expected to be developed by the vendors.
- x) Whether materials will be supplied by IAF or the vendor is expected to use his materials.

- xi) Whether the testing charges are to be borne by IAF or the vendor is expected to pay the same. (Test charges on rejection of sample should be borne by the firm).
- xii) Whether the shell/connectors/any part will be supplied by IAF.
- xiii) Whether there is a provision for obtaining collateral security for material/vehicle chassis given on loan by IAF.
- xiv) Whether condition of airworthiness approval is included in RFP for modifications and experimental trials involving flight safety.
- xv) Whether approval from appropriate authority has been brought out for the in-lieu materials selected, for the drawings / design and for test schedules.
- xvi) Whether it is indicated in RFP that on completion of work, firm will have to make all improvements / rectifications at no additional cost.
- xvii) Whether condition of continued product support in case the product coming out of the project is introduced in the service is included in RFP.
- xviii) Whether cost of product support has been asked in RFP in clearly defined terms.
- xix) Whether there is a clause in the RFP assuring the vendors of confidentiality of their process, design and all other information provided in the technical offers.
- xx) Whether IPR to IAF will be ensured on payment of development cost, all designs / drawings.
- xxi) Whether break-up of cost separately indicating development cost, post developmental cost and trial testing charges is called for separately.
- xxii) Whether types of testing and trials required before acceptance are included in RFP.
- xxiii) Whether agencies involved in clearance and approval of the item after trials are indicated.
- xxiv) Whether criterion of determining L1, with regard to prototype cost, Unit cost or both is clearly explained in draft RFP.
- xxv) Whether a two part bid is mandatorily called.
- xxvi) Whether there is a provision of any pre-bid conference in case of a developmental order.
- xxvii) Whether there is a provision of a presentation in case of consultancy projects.

Expenditure Angle Sanction

The following points be seen:

- i) It may be verified that apart from all the documents provided at the time of necessity angle approval, the following documents are submitted:
 - I. Copy of RFP
 - II. Original quotations
 - III. PAC
 - IV. The vetted CST
 - V. Minutes of TPC/PNC
 - VI. Draft development/supply order
 - VII. Recommendation of the penultimate CFA
- ii) In case the project cost after opening of tenders exceeds the estimated cost, the complete case file with recommendations and view of local IFA will be forwarded to the appropriate CFA without conducting the PNC.
- iii) The SO should include all the conditions given in the RFP as also those discussed subsequently.
- iv) Whether TEC report has been approved by CFA or an officer nominated by him.
- v) Whether TEC report clearly brings out adherence / non adherence to QRs giving reasons.
- vi) Whether TEC has been duly constituted as per SOP.
- vii) Whether revised commercial bids, if any, were taken only where QRs have undergone a change. (Commercial bids {original} should not have been opened at all in such cases).
- viii) Whether RFP is scrapped due to one of the following reasons by CFA in consultation with the IFA
 - a. When the requirement has changed due to up gradation of systems and obsolescence or change in basic specifications.
 - b. When major technological advancements have taken place in the field.
 - c. When prices are considered very high, on the recommendation of TPC.
 - d. If a downward trend in prices is noticed in the market.
- ix) Whether sanction from the CFA from necessity angle is enclosed.
- x) Whether the TPC / PNC was constituted as per the stipulated guidelines.
- xi) Whether commercial bids of only technically qualified offers were opened.
- xii) Whether commercial bids were opened in the presence of the bidders or their authorized representative.

- xiii) Whether commercial bids have been compared and evaluated in an integrated manner i.e. the development cost, the bulk supply cost of the requirement if applicable and also product support, if required. All levies, taxes, ED, etc and escalation factors, if any, are taken into account.
- xiv) Whether the CST has been vetted with regard to original quotations/tenders and other supporting documents.
- xv) Whether for determining the CFA, only development cost, cost of prototype and the services with taxes, levies, etc have been considered.
- xvi) Whether last contracted price for the same or similar item, if available, is there.
- xvii) In case development order to be placed on proprietary basis, it needs to be checked whether anyone of the following conditions is met:
 - a. Where no vendor came forward to take up the development and no details are available even for costing or giving any proposal, a capable vendor may be asked to take up developmental activity on cost plus and accepted fixed profit after clearance by the appropriate CFA in consultation with IFA.
 - b. Items are being developed from PSUs /DRDO labs/any other Government agencies and a certificate rendered by HQMC that identifying more vendors and inviting wider competition is not likely to result in any major saving or improvement in quality.
 - c. If non availability of the item is causing PHU and the executive authorities give certificate that identifying more vendors and inviting wider competition is not likely to result in any major saving or improvement in quality.

Post Contract Management

1. General Points relating to the post contract management may be seen.
2. LD is to be waived in only those cases where delay in delivery was due to reasons beyond the contractor's control or when the contractor cannot be held responsible for delay in delivery. It may be seen that adequate reasons are recorded to justify waiver of LD.
3. While vetting a proposal for grant of extension of delivery period, a confirmation will be taken by the executive authorities that there is no downward trend in the market.

4. While dealing with the cases of risk purchase, it may be ensured that there is no change in the specifications of the items which are being purchased at the R&E of the failed supplier.
5. Full justification along with the financial effect should be watched in the cases involving amendment to development/ supply orders. If the value of DO/SO exceeds the powers of the existing CFA after amendment, it will be ensured that the case is sent to the higher CFA.
6. Advances up to 15% of the order value only should be concurred in exceptional cases providing full justification. A BG from a scheduled bank should be insisted upon for the amount of advance. Bank Guarantee should be valid till successful trial and final acceptance of the material.
7. In cases involving part payment on failure of items, while giving concurrence the following aspects be seen:
 - i) A SOC bringing out clearly the reasons for the failure if it is attributable to the vendor.
 - ii) In case, failure is not attributable to the vendor, quantum of payment to be decided should be commensurate with the efforts put in by the vendor and should never exceed 50% of the order value.
 - iii) A certificate by the executive authorities that all the engineering details, drawings and samples, etc developed up to that stage have been taken from the vendor and will be proprietary to the IAF.

The executive authorities may be advised to get the amount regularized as cash loss in terms of Schedule VI after making payment

Checklist for Schedule I (E)

AON

The following points are to be seen:

1. Whether SOC includes the following:
 - i. Full justification of items proposed to be indigenised indicating details of annual consumption, cost of imported equipment, financial, technical and operational advantage to be accrued as a result of indigenisation.
 - ii. Sources of indigenisation i.e. vendors involved; financial implications, draft sanction letter indicating item and total cost (with break up), list of vendors to be involved, cost estimation and basis of cost estimation.
 - iii. Recommendation of AOC BRD/AOC-in-C (MC) is enclosed.
2. Whether there is full justification for placing development orders on proprietary basis.
3. It may be seen whether proposal is financially viable in terms of quantities required vis-à-vis development expenditure involved.
4. Whether requirement is recurring or non-recurring (indigenisation of only recurring requirement is justified).
5. Whether the indigenisation will be more cost effective than the imports in the long run.
6. Whether the equipment/aircraft, etc in respect of which indigenisation of spares is being proposed is not being phased out in near future.
7. Whether the pricing includes development cost as well, the pricing can be based on assessed cost worked out by Depot independently or through interaction with a potential source of supply.
8. Whether the stock position has been verified for assessing the quantities required.
9. Whether the supply scenario from the OEM in the long run has been taken into account.
10. Whether the effect of non-availability of spares on fleet availability/serviceability has been clearly brought out.
11. Whether MOQ is in excess of MPE requirement. If so, complete justification for the same be looked for.
12. Whether it is seen that the shelf life of indigenised items is long enough for consumption of MOQ, if any.

13. Whether a certificate is rendered by AOC/CO of BRD or an authorized officer at HQ MC/Air Hqrs level that: (i) BRD is the provisioning agency of all spares for which indigenisation is proposed, (ii) indigenisation is proposed of spares required for 3rd and 4th line servicing by the BRD.
14. Whether indigenisation of spares is tasked to BRD by HQMC/Air HQrs,
15. Whether only maintenance requirement items are taken in for indigenisation and not capital goods.
16. Whether the following documents have been submitted along with the SOC :
 - a. Relevant extract of Q-542/SORs/SRs
 - b. Copy of indigenisation proforma
 - c. Vendor list or PAC
 - d. Type of tendering proposed with code head
 - e. Adequacy of earmarked funds/ action taken to project the requirements.
 - f. Draft RFP.

Vetting of RFP

1. It may be seen whether separate vendor lists have been prepared for different ranges of spares like mechanical, electro mechanical, electronics, etc and for consultancy and embedded software development.
2. Whether vendor list is updated from time to time by interaction with CII, HAL, CEMILAC, DGAQA, etc.
3. Whether any efforts are being made for development of alternative indigenous sources by placing order for 20% requirement on the new sources.
4. Whether two part bid is called.
5. Whether specifications have been clearly brought out to enable the vendors to understand them in the same manner.
6. Where reverse engineering is envisaged, provision for making available to the bidders the sample of the item to be indigenised has been made.
7. Whether the vendor is expected to develop the entire product or only the tooling.
8. Whether in the drawings it has been indicated that specifications/test schedules are available or expected to be developed by the vendors
9. Whether the materials will be supplied by IAF or the vendor is expected to use his own materials.

10. Whether the testing charges are to be borne by the IAF or the vendor is expected to pay the same.
11. Whether the shell/connectors/any part will be supplied by IAF.
12. Whether it is clearly indicated in RFP that the product supplied will be accepted only after airworthiness approval from the appropriate authorities.
13. Whether it is indicated in the RFP that approval from appropriate authority will also be required for the in lieu materials selected, for the drawings/design for the test schedules.
14. Whether it is indicated in the RFP that the firms will have to make all improvements/rectifications to the product at no additional cost to the Government
15. Whether long-term commitment of continued supply on payment of development costs by IAF is sought in the RFP from the bidders.
16. Whether there is a clause in the RFP assuring the vendors of confidentiality of their process, design and all other information provided in the technical offers.
17. Whether it is indicated in the RFP that after payment of développement cost, all the designs/drawings and intellectual property will rest with IAF.
18. Whether performance warranty clause, LD clause , etc for high value items are included in RFP
19. Whether total quantity required as prototypes for development and the quantity required over next 5 years (which should be procured in small batches) has been indicated.
20. Whether breakdown cost for development is sought.
21. Whether the basis of determining L1, with regard to prototype cost/ total indigenization cost is clearly indicated.
22. Whether RFP has been got vetted by the specialists from the Section requiring the spares, Quality Assurance Officers and the RCMA (If applicable) for technical aspects.

Expenditure Angle Sanction :Points to be seen

1. Whether the EAS proposal includes the following:
 - a. Copy of RFP.
 - b. Original quotations.
 - c. PAC.
 - d. Registered SSI Certificate (where applicable).

- e. CST.
 - f. TPC / PNC minutes (if applicable).
 - g. Draft development / supply order.
 - h. Formal sanction proforma recommended by the penultimate CFA.
2. Whether TEC report clearly brings out adherence/non-adherence to QRs.
 3. Whether TEC report is approved by the CFA or an officer nominated by him.
 4. In case only a single vendor responds to the TE or is the only technically acceptable offer, it has to be treated as a single tender and dealt with accordingly.
 5. Whether where QRs are changed during technical vetting, revised commercial bids have been called for and original commercial bids are not opened.
 6. Whether the commercial bids have been evaluated in the manner prescribed in RFP.
 7. Whether all taxes, levies, ED, etc as also the escalation factors if applicable, have been taken into account.
 8. Whether TPC/PNC has negotiated the price with L1 only.
 9. In cases where the project cost is found to have exceeded the financial powers of the CFA after opening of tenders, it may be seen whether the complete case file with recommendations of the CFA has been forwarded to the next higher CFA along with the reasons for the project cost exceeding the planned cost and the views of local IFA.
 10. All other standard points as applicable may be seen.

Post contract :Points to be seen

1. All General Points may be seen.
2. In cases of failure, payment up to 50 % of the order value may be concurred in if failure is certified as not attributable to the vendor.
3. It may be ensured that all reverse engineering details, drawings and samples, etc developed up to that stage will be taken by IAF from the vendor and will be the property of IAF.
4. The executive may be advised to obtain ex post facto sanction of the CFA for regularization of payment as a cash loss not due to TFN.

Schedule I (G) & 1(H)

Finalization of annual contracts for airlift of stores and dispatches through Couriers / Speed Post on one way or both ways are required basis within the Country.

Check List for Acceptance of Necessity.

1. Verify whether the stores to be dispatched are bonafide IAF stores.
2. Whether unit has justified the urgency of dispatch.
3. Whether it is mentioned that due to operational necessity the material is to be dispatched by Courier / Speed Post.
4. Whether approximate quantity to be dispatched with weight and other details are given.
5. Whether there is a relationship between last turnover i.e. actual dispatched and present approximate projection
6. Whether the destinations selected are justified and are bonafide IAF stations.
7. While projecting approximate quantity for dispatch rough indication of approximate expenditure based on Market survey, last 3 years expenditure should be given.
8. While assessing such expenditure basis of computation of expenditure should be given.
9. Whether the case brings out advantages for use of Civil Courier over other modes of dispatch.
10. If contract for to and fro dispatch is proposed whether advantage of such dispatch is mentioned.
11. Whether draft tender document is enclosed.
12. Whether in draft tender document all the conditions are clearly mentioned especially material to be dispatched in Kgs or Volume.
13. Names of Vendors are mentioned and whether it is certified that these vendors are registered.
14. Confirmation regarding budgetary support is rendered.

Expenditure angle concurrence.

1. Whether the original quotes are enclosed.
2. Whether Comparative statement of quotes is prepared and signed by concerned officers.

3. Compare the CSQ with original quotations and ensure that all entries in CSQ are correct and all conditions mentioned by each tenderer are mentioned in remark column of CSQ.
4. Whether the determination of L1 is correctly done taking into consideration all the conditions in the quote.
5. Budgetary allotment is confirmed.
6. In case two ways contract is to be concluded ensure that both units are empowered to operate the contract and from whom funds are to be utilized is clearly mentioned.
7. In case of speed post contracts, please ensure that :-
 - i) The Contract is finalized under the Book Now Pay Later Scheme (BNPL)
 - ii) Department of Post is to provide free pick up and delivery at A.F. Stations.
 - iii) The dimension of item and weight should not exceed the limits laid down. However, postal department should be prevailed upon to accept higher weight and bigger dimensions.
 - iv) Rates are charged according to weight and the distance covered in slabs. Fixed discount also should be indicated in the contract.
 - v) Compensation is paid by DOP(Department of Post)/Couriers for any delays beyond 24 hrs of the laid down timings.
 - vi) Suitable escalation clause is to be incorporated where the increase / decrease in rates should be related to revision of postal charges.

CHECK LIST FOR SCHEDULE -II

The following points are to be seen at the time of concurring the cases for sanctioning expenditure not precisely covered by rules:

- (i) The expenditure should be of a non-recurring nature not falling within the categories enumerated in Rule 58.
- (ii) The expenditure should not be provided for at all by existing regulations or not precisely or adequately covered by existing regulations.
- (iii) The expenditure must be reasonably charged against Defence Service Funds which in the opinion of the CFA is likely to receive the sanction of the Government, if referred to them.
- (iv) The expenditure should be a legitimate charge against the Public Funds.
- (v) The canons of financial propriety have been observed.
- (vi) The CFA should be satisfied that the sanctioning of expenditure is not contrary to any known policy of the Government
- (vi) Whether the demanded item is an authorized item as per FR Part-I.
- (vii) Whether local purchase procedure has been strictly followed.
- (viii) The items purchased should not be available through service sources.
- (ix) The expenditure incurred is in the interest of service.
- (x) The items purchased should not be for more than three months requirement.
- (xi) The nature of stores and services required should be examined.
- (xii) Exceptional reasons/circumstances justifying the expenditure should be examined.
- (xiii) Basis of quantities and estimated cost needs to be seen.

CHECK LIST FOR SCHEDULE -III

The following points are to be seen at the time of concurring the cases for regularizing issue of stores in exceptional cases:

These powers are to be exercised to authorize issue of stores to external agencies on a permanent basis, when the issue is not authorized.

Points to be seen:

- i) The range covers all Air Force stores except EW, Armament and secret equipment.
- ii) It should be ascertained that the action proposed/taken is inescapable and is not likely to recur in future.
- iii) The proposal should contain a self-explanatory note indicating :
 - Nature of stores
 - Justification of necessity of issue or regularization of issue of stores
 - Value of stores
 - Quantity of stores to be issued/regularized
 - Financial implications
- iv) In case an issue is to be made to an external agency which is not authorized the case should clearly bring out the reasons and necessity of making the issue.
- v) In cases where the issue has already been effected and sanction is being sought on an ex post-facto basis, the reasons for not taking prior sanction should be clearly spelt out. The cost of the items and the basis of the cost should also be brought out.
- vi) Whether there is any possibility of recovering the cost fully or partially of the items being issued.
- vii) The cost of the item issued is not to be treated as a loss and no separate regularization of the loss is required.
- viii) These powers can also be exercised on an ex post-facto basis in exceptional circumstances.

CHECK LIST FOR SCHEDULE- IV

The following points are to be seen at the time of concurring the cases for sanctioning writing off of losses of stores not due to theft, fraud or gross neglect:

- (i) The loss is not due to any individual's carelessness
- (ii) The loss is beyond the control of storing authority
- (iii) No carelessness is involved in safeguarding the equipment
- (iv) Necessary enquiry has been ordered and reports rendered before the loss statement is sent for sanction.
- (v) Remedial action taken and instructions issued to avoid recurrence in future.
- (vi) No individual has been shielded to avoid fixing the responsibility.
- (vii) Whether audit report has been obtained from the CDA/LAO concerned.
- (viii) Provisions contained in FR Pt.I will also be kept in view, while processing the loss of Stores/public money.
- (ix) Losses of various classes of stores due to one and the same incidence/cause should be written off on one loss statement.
- (x) Pricing of loss occurred as shown in Form (Q) 406 is to be done in accordance with para 9 to 10 of Chapter 22 of IAP 1501.
- (xi) Price is to be checked by LAO(AF) concerned.
- (xii) The financial powers detailed are personal and cannot be delegated to any subordinate officer, except under certain definite conditions as detailed in Financial Regulations.

CHECK LIST FOR SCHEDULE-V

The following points are to be seen at the time of concurring the cases for sanctioning writing off of losses of stores due to theft, fraud or gross neglect:

- (i) The reasons forwarded for the loss are genuine
- (ii) The loss is beyond the capacity of the individual held responsible for the loss
- (iii) What action has been taken to avoid such type of losses in the future
- (iv) In case of loss due to faulty packing/storage, what action has been taken to improve such requirements
- (v) If the loss is due to the Rlys/transporter, what action has been taken to recover the cost from the Rlys/transporter
- (vi) What remedial measures have been taken and instructions issued to avoid such recurrences in future
- (vii) Necessary enquiry has been ordered and reports rendered before the loss statement is sent for sanction.
- (viii) No individual has been shielded to avoid fixing the responsibility.
- (ix) Whether audit report has been obtained from the CDA/LAO concerned.
- (x) Provisions contained in FR Pt.I will also be kept in view, while processing the loss of Stores/public money.
- (xi) Losses of various classes of stores due to one and the same incidence/cause should be written off on one loss statement.
- (xii) Pricing of loss occurred as shown in Form (Q) 406 is to be done in accordance with para 9 to 10 Chapter 22 and para 3 to 14 Chapter 23 of IAP 1501.
- (xiii) Price is to be checked by LAO(AF) concerned.
- (xiv) The financial powers detailed are personal and cannot be delegated to any subordinate officer, except under certain definite conditions as detailed in Financial Regulations.

CHECK LIST FOR SCHEDULE-VI

The following points are to be seen at the time of concurring the cases for sanctioning writing off of losses of public money not due to theft, fraud or gross neglect:

1. The definition of the term 'Public money' is as follows:-

- (i) Irrecoverable personal advances made to individuals no longer in Government service;
- (ii) Overpayments of pay and allowances made to individuals no longer in Government Service;
- (iii) All other irrecoverable cash claims including the value of issues on payment to units or individuals the recovery of which would entail considerable hardship or present special difficulty;
- (iv) Value of stores issued to contractors which, for any cause, there has been a failure to recover and the recovery of which would present special difficulty;
- (v) Losses due to expenditure on freight in respect of stores dispatched in error;
- (vi) Losses resulting from the dispatch of stores by other than the authorized procedure;
- (vii) Irrecoverable debts of units disbanded in accordance with demobilization orders;
- (viii) Irrecoverable losses due to thefts and fraudulent use of railway warrants, credit notes or railway concession vouchers;
- (ix) Demurrage charges incurred due to negligence on the part of consignor/consignee.

Following facts to be seen by IFA

- (i) The loss is not due to theft, fraud or gross neglect
- (ii) The loss is beyond the control of the authority
- (iii) No carelessness is involved
- (iv) Necessary COI if any, has been ordered and reports rendered before the loss statement is sent for sanction.

- (v) Remedial action taken and instructions issued to avoid recurrence in future.
- (vi) No individual has been shielded to avoid fixing the responsibility.
- (vii) Whether audit report has been obtained from the CDA/LAO concerned.
- (viii) Provisions contained in FR Pt.I will also be kept in view, while processing the loss of public money.
- (ix) Losses of various classes of stores due to one and the same incidence/cause should be written off on one loss statement.
- (x) Pricing of loss occurred as shown in Form (Q) 406 is to be done in accordance with para 9 Chapter 22 and para 3 to 14 Chapter 23 of IAP 1501.
- (xi) Price is to be checked by LAO(AF) concerned.
- (xii) The financial powers detailed are personal and cannot be delegated to any subordinate officer, except under certain definite conditions as detailed in Financial Regulations.

CHECK LIST FOR SCHEDULE-VII

The following points are to be seen at the time of concurring the cases for sanctioning writing off of losses of public money due to theft, fraud or gross neglect:

1. The definition of the term 'Public money' is as follows:-

- (i) Irrecoverable personal advances made to individuals no longer in Government service;
- (ii) Overpayments of pay and allowances made to individuals no longer in Government Service;
- (iii) All other irrecoverable cash claims including the value of issues on payment to units or individuals the recovery of which would entail considerable hardship or present special difficulty;
- (iv) Value of stores issued to contractors which, for any cause, there has been a failure to recover and the recovery of which would present special difficulty;
- (v) Losses due to expenditure on freight in respect of stores dispatched in error;
- (vi) Losses resulting from the dispatch of stores by other than the authorized procedure;
- (vii) Irrecoverable debts of units disbanded in accordance with demobilization orders;
- (viii) Irrecoverable losses due to thefts and fraudulent use of railway warrants, credit notes or railway concession vouchers;
- (ix) Demurrage charges incurred due to negligence on the part of consignor/consignee.

Following facts to be seen by IFA

- (i) The loss is not due to theft, fraud or gross neglect
- (ii) The loss is beyond the control of the authority
- (iii) No carelessness is involved
- (iv) Necessary COI if any, has been ordered and reports rendered before the loss statement is sent for sanction.
- (v) Remedial action taken and instructions issued to avoid recurrence in future.
- (vi) No individual has been shielded to avoid fixing the responsibility.
- (vii) Whether audit report has been obtained from the CDA/LAO concerned.

- (viii) Provisions contained in FR Pt.I will also be kept in view, while processing the loss of public money.
- (ix) Losses of various classes of stores due to one and the same incidence/cause should be written on one loss statement.
- (x) Pricing of loss occurred as shown in Form (Q) 406 is to be done in accordance with para 9 Chapter 22 and para 3 to 14 Chapter 23 of IAP 1501.
- (xi) Price is to be checked by LAO(AF) concerned.
- (xii) The financial powers detailed are personal and cannot be delegated to any subordinate officer, except under certain definite conditions as detailed in Financial Regulations.

Additional points to be seen for SCHEDULE-IV, V, VI, & VII

GENERAL

The following points may be seen by the IFA:

1. Whether the statement of case is prepared in accordance with the provisions contemplated in AFO 22/2000 as well as proforma contemplated therein.
Ref - AFO Part - IV (Para 91 to 102).
2. Whether the remedial measures and the disciplinary action taken to avoid recurrence of such lapses are enclosed along with SOC.
3. Whether the Delay report showing the progressive stages of loss statement from the date of occurrence / detection of loss / damage / accident to the date of submission to IFA office is enclosed duly signed by AOC / CO.
4. In case of resubmission, whether Delay Report has been updated till the date of resubmission duly signed by AOC / CO.
5. Whether the Court of Inquiry, proceedings have been enclosed in original / manuscripts. (The reasons for not holding / delay in holding the COI is required to be elucidated in terms of Rule 156 of FR Pt.I Vol-I and AFO 14/2005).
6. The COI can be dispensed with with IFA concurrence duly indicating the circumstances under which the COI was not convened. It may be seen that circumstances under which COI was not held have been enclosed along with Statement of Case and Loss statement. The dispensation of the requirement of convening the COI rests with the CFA in consultation with IFA within whose financial powers the loss falls in terms of Rule 156 of FR Pt.I Vol-I. (In this context refer AFO 14/2005).
7. In cases where a part of the loss is recoverable, whether the CFA is worked out on gross loss in terms of Rule 160 of FR Pt.I Vol-I.
8. Whether the L.S. and SOC are routed through staff channel, and remarks / recommendation of all intermediary Commanders are enclosed along with the documents.
9. Whether the loss is priced in terms of Rule 163 of FR Pt.I Vol-I and Para 17 of Chapter 2 of IAP 1501.

10. Whether the L.S. and SOC are routed through LAO(AF) / ALAO (AF) for rendition of Audit Report and price verification in terms of AFO 22/2000 & 14/2005.
11. Whether L.S. indicates whether the loss is due to TFN and not due to TFN.
12. Whether the documents are prepared in six copies / folders marked 'Original', 'Duplicate', etc. (All original documents are to be placed in the original folder and attested copies thereof to be placed in other folders).
13. Whether attested copies of correspondence made relating to the loss between consignor / consignee / railway enclosed to have proper appreciation of the case.
14. Whether Discrepancy Report is submitted which is mandatory for transit loss.

M.T. ACCIDENT

Additional points to be seen in case of MT Accidents are as under: -

1. Whether Technical Inspection Report, Accident report and the Statement showing the cost of damage and assessed cost of repairs duly signed by Competent Technical Authorities have been enclosed in original.
2. Whether a copy of POR / Part II O.O. publishing the disciplinary action is enclosed.
3. Whether any damage to civil property or loss of civilian life has occurred due to the accident.
4. Whether the MACT case has been filed to recover the cost of damage from the owner of the civil truck in terms of L.S.C. contract. If so, present position.
5. Whether the T.R. number and month under which the T.R. was adjusted has been mentioned in case the loss has been partially recovered.
6. Whether Confirmation / Certificate that there was no damage to the fuel tank in the accident is there. The cost of fuel lost is to be incorporated in the L.S.
7. Whether the original book value of the vehicle has been indicated in the L.S.
8. Whether a Copy of Log Book entry is enclosed.
9. Whether redesignated class of vehicle after repair has been indicated.

10. Whether reason for not filing the case before MACT / Arbitrator / Court has been given.

TRANSIT LOSSES

Additional points to be seen in case of Transit Losses are as under: -

1. Whether a Railway claim or claim on transporter was prepared. If so, confirmation whether the Railway claim / recovery from transporter had been adjusted and details thereof.
2. Whether there is a delay in preferring the claim against Railways/transporter.
3. Whether the packages were received in:
 - a) Sound condition.
 - b) In case the packages were received in damaged condition an element of negligence on the part of consignor cannot be ruled out for not complying with the instructions. Hence, whether the remarks of consignor to this effect are obtained and enclosed to the L.S. in terms of Para 2(d) of Chapter X of IAP-1501.
4. Whether there is a delay in raising the D.R.
5. Original B.O.O. convened for taking the delivery of stores is required to be enclosed in terms of Para 112 of Chapter 4 of IAP-1501.

NATURAL CALAMITIES

Additional points to be seen in case of Natural Calamities are as under: -

1. Whether all the buildings in a station affected by a natural calamity are consolidated for preparation of L.S. Whether a certificate from G.E. is enclosed along with L.S. and SOC that all the buildings have been surveyed and loss if any has been included.
2. Whether Report from Meteorological Centre indicating weather details has been enclosed in original.
3. Whether the statement showing the cost of damages and assessed cost of repair and also the assessed cost of retrieved materials has been enclosed duly signed by G.E. and verified by AAO GE.

4. Whether the cost of retrieved material has been deducted from the gross loss to arrive at net amount of loss requiring regularization. (As per Para 597 of RMES the L.S. is required to be priced accordingly).
5. In case no material could be retrieved, whether a certificate to this effect has been obtained from the G.E. and enclosed with L.S.

LOSS OF PUBLIC MONEY

Additional points to be seen in case of Loss of Public Money are as under: -

1. Whether the case under consideration is covered by definition of Public Money as given below:

The definition of the term 'Public Money' is as follows: -

- (i) Irrecoverable personal advances made to individuals no longer in Government service;
- (ii) Overpayments of pay and allowances made to individuals no longer in Government Service;
- (iii) All other irrecoverable cash claims including the value of issues on payment to units or individuals the recovery of which would entail considerable hardship or present special difficulty;
- (iv) Value of stores issued to contractors which, for any cause, there has been failure to recover and the recovery of which would present special difficulty;
- (v) Losses due to expenditure on freight in respect of stores dispatched in error;
- (vi) Losses resulting from the dispatch of stores by other than the authorized procedure;
- (vii) Irrecoverable debts of units disbanded in accordance with demobilization orders;
- (viii) Irrecoverable losses due to thefts and fraudulent use of railway warrants, credit notes or railway concession vouchers;
- (ix) Demurrage charges incurred due to negligence on the part of consignor / consignee.

2. Sanctioning authority is to ascertain the following facts before according sanction:

- (i) The loss is not due to theft, fraud or gross neglect
- (ii) The loss is beyond the control of the authority
- (iii) No carelessness is involved

- (iv) Necessary COI if any, has been ordered and reports rendered before the loss statement as sent for sanction
 - (v) Necessary instruction has been issued to avoid recurrence of such loss.
 - (vi) Remedial Measures taken.
 - (vii) No individual has been shielded to avoid fixing the responsibility.
- (A) Foreign Discrepancy Report: - It is to be seen that in case of Foreign Discrepancy Report, rejection communications as and when D.R. is received, losses arising out of non-linking of Invoices and Audit objection in foreign consignment are treated as '**Cash Loss**' and will be regularized under Sch VI or VII.

Whether the transit loss occurring between Emb Hqrs / MCU and Consignee Unit within Indian territory is treated as Store loss for which neither the supplier nor Shipping Agent or intermediate consignee (31 MCU/Emb Hqrs) are held responsible.

- (B) The items quoted in Rule 164 of FR Part.I Vol-I will be treated as Cash loss including payment of demurrage charges.

FLYING LOSSES

Whether the write off / strike off of losses on account of Flying accident has been done by Air Hqrs only after obtaining Flying Accident Report from CDA (AF), New Delhi.

Reference

1. Sch IV to VII
2. IAP-1501 Chapter 2, 10, 22, 23, 24 & 25
3. AFO 22/2000
4. AFO 110/98
5. AFO 14/05

CHECKLIST FOR SCHEDULE VIII (A, B, C D & E)

CHECK LIST FOR CFA AND IFA

It is entirely the responsibility of local purchase officer to submit the following information along with necessary documents for consideration of IFA and CFA

- (a) The items are authorized for Air Force Equipments.
- (b) Items are urgently required. Status of pending PRs & Central Purchase supply orders may be verified.
- (c) Items are not available in unit/ED
- (d) Items cannot be obtained expeditiously from normal sources of supply.
- (e) It may be seen as to how many times local purchase has been resorted to for the items in question during last 12 months.
- (f) LP is resorted to in exceptional cases and not as a mater of routine.
- (g) Purchase proposal is within the delegated financial powers of IFA and CFA.
- (h) Whether standard format of TE has been used.
- (i) Whether CST has been signed by authorized gazetted officer and ranking statement has been vetted by IFA/rep of IFA.
- (j) Whether selection of firms is proper and all past and registered suppliers are given TE. If not reasons* for the same are indicated.
- (k) Tender-opening has been conducted properly by board of officers including rep of IFA in presence of authorized representatives of firms.
- (l) Where the financial powers are with concurrence, it is to be ensured that the concurrence of the IFA has been obtained right from the acceptance of necessity, determining the mode of tendering, selection of vendors, vetting of draft tender & CST, TPC/PNC (in case of purchases exceeding Rs.1 lakh etc).
- (m) Competitive tenders/quotations have been invited as per rules.
- (n) If the items are required for stock, then they are not to exceed more than three months requirement.
- (o) Items are not of short shelf life and not likely to be unfit in store.
- (p) Scales laid down are not exceeded.
- (q) Local purchase order has not been split up to avoid necessity of obtaining sanction from higher authority.
- (r) Where higher rates are accepted, reasons in detail are to be given by TPC before accepting the tender other than L1.

- (s) Sanction from higher authority is obtained where such sanction is required to be obtained whenever it exceeds the delegated financial power of local IFA and CFA.
- (t) The powers delegated are for each transaction and not for each item.
- (u) Whether in case of local purchase of ASC stores, CFA has been determined with reference to total estimated annual requirement.
- (v) The powers are to be exercised only for purchase of indigenous stores and not for stores from abroad.
- (w) Plant and machinery are not to be purchased under LP.

Where financial powers of CFA are with concurrence of IFA/CDA, IFA/CDA are to be associated in all stages of procurement activity.

- i) Acceptance of necessity.
- ii) Selection of mode of tendering i.e. OTE/LTE/STE at the time of TE stage.
- iii) Approval of sources in case of LTE and STE/Selection of vendors.
- iv) Vetting of draft tender enquiry.
- v) Participation in Tender opening and vetting of CST.
- vi) Participation of TPC/PNC at units.
- vii) Vetting of draft supply orders and recording of FC NO & Date.
- viii) Concurrence of DP Extension, waiver of LD and security deposit.
- ix) Concurrence of Amendments to contracts.

SCHEDULE - IX

Check list for according concurrence for cases for waiving compensation of loss due to the failure of a Contractor

These powers under Sch IX can be exercised on limited occasions. In order to verify the circumstances and other details check the S.O.C. on following lines.

- 1) Whether the case relates to one of the following categories:
 - a) Stores handed over to contractor on loan contract or embodiment are not returned / are returned in deteriorated condition,
 - b) Advances paid to a contractor, which cannot be recovered through bank guarantee or security deposit,
 - c) There is a consequential loss due to contractor's action / failure,
- 2) Whether the loss is due to exceptional circumstances, for which neither the contractor nor the IAF agency is at fault,
- 3) Whether it is not possible to make recovery from the contractor and all avenues are exhausted,
- 4) Whether, IAF Units issuing items on loan have ensured safety of the item by taking indemnity bond, Bank guarantee, Security deposit, etc considering inflationary tendencies prevailing in the market,
- 5) Whether, SOC was forwarded to Command Hqrs/Air HQ as the case may be and their comments obtained,
- 6) Whether, SOC has brief history of case chronologically,
- 7) Whether contract agreement copy or authority under which issue was made is enclosed,
- 8) Whether issue of item was authorized by the authority competent to make such issue,
- 9) Whether total loss involved and basis of calculation of cost is mentioned and pricing is certified by LAO of Unit,
- 10) Whether reasons for non-recovery are mentioned clearly,
- 11) Whether, there is loss statement enclosed with SOC duly priced by LAO,
- 12) Whether convincing remedial measures are mentioned in SOC,
- 13) Whether Audit report is enclosed with SOC.
- 14) Whether draft letter of authority waiving off the compensation is enclosed.

CHECKLIST FOR SCHEDULE X (A)
(Local Contracts)

CHECK LIST FOR CFA AND IFA

All contracts will be entered into and accepted by the authorities concerned for and on behalf of the President.

- (a) The nature of the services/items contracted for are authorized for the Air Force.
- (b) The contracts will operate for an annual/biannual period and may be renewed under instructions from Command HQrs/Air HQrs.
- (c) The work/services required to be performed under local contracts should be clearly identified. The requirement, objectives and the scope of the works/services should be spelt out.
- (d) The reasonable expenditure should be estimated based on the prevalent market conditions and consulting other organizations engaged in similar activities.
- (e) The identification of likely sources for these contracts should be carried out and approved contractors/vendors short listed.
- (f) The Terms of Reference (TOR) should include precise statement of objectives, outline of the tasks to be carried out & schedule for completion of tasks.
- (g) Purchase proposal is within the delegated financial powers of IFA and CFA.
- (h) The mode of tendering i.e. LTE/OTE/STE is to be decided on the value of the contract and list of approved contractors/vendors.
- (i) Whether CST has been signed by authorized gazetted officer and ranking statement has been vetted by IFA/rep of IFA.
- (j) Tender-opening has been conducted properly by board of officers including rep of IFA in presence of authorized representatives of firms.
- (k) Competitive tenders/quotations have been invited as per rules.
- (l) If the items are required for stock, then they are not to exceed more than three months requirement.
- (m) Items are not of short shelf life and not likely to be unfit in store.
- (n) Scales laid down are not exceeded.
- (o) Local contracts have not been split up to avoid necessity of obtaining sanction from higher authority.
- (p) Where higher rates are accepted, reasons in detail are to be given by TPC before accepting the tender other than L1.
- (q) Sanction from higher authority is obtained where such sanction is required to be obtained whenever it exceeds the delegated financial power of local IFA and CFA.

CHECKLIST FOR SCHEDULE X (B & C)

Specific Points to be looked into

- (a) Proper selection of civil transport hiring agencies by unit board of officers including IFA/Rep. of IFA need to be done in accordance with prescribed procedures.
- (b) While tendering whether all known requirements for all units in the station/area on a particular day or No. of specified days taken into account and pooled together. Concurrence of IFA is to be obtained in respect of financial powers with concurrence.
- (c) Sanction is not split up to bring it within the powers of lower CFAs
- (d) Crossed DD/Cash Deposit receipt as per stipulated amount in TE as earnest money payable will accompany each tender.
- (e) Transportation conditions have to be brought out in specific terms in TE and the contract/supply order.
- (f) All standard terms and conditions including Security Deposit & mode of payment are to be incorporated in TE as well as in contract/supply order in prior consultation with IFA. S.D. can be waived by CFA with prior concurrence of IFA.
- (g) Specifications of vehicles required to be clearly mentioned in TE as well as in contracts/supply order.
- (h) Laid down instructions for loading vehicles will have to be complied with.
- (i) The existing instructions in protection during transit have been followed.

The following points are to be seen while concurring with the proposal for hiring of civil transport:

1. Necessary justification for the purpose of hiring including a certificate that no other hired vehicle can be availed of and service transport is not available for this purpose are given/attached.
2. The purpose for which hiring of civil transport is proposed, is bona fide and authorized in Government orders.
3. Details of load/passengers to be conveyed are authorized and it is obligatory on Government to provide transport for them.
4. Distance involved is mentioned.
5. Type of transport/vehicle to be hired with number of vehicles and duration of hiring on the basis of load in terms of number of personnel to be conveyed is clearly shown in the proposal.
6. The value involved and how it has been arrived at is mentioned.

7. Availability of funds under the relevant head accounts is shown.
8. Efforts should have been made to obtain the hiring rates from local civil authorities for each type of vehicle/transport.
9. In case of return journey/back load, reasonable discount has been offered by the firm.
10. Whether credibility and past performance of the transport contractors are satisfactory?
11. Pattern of hiring in regard to the quantum, expenditure in the preceding year and justification for abnormal variations if any is given.
12. Transport hired for officers on temporary duty etc. is as per prescribed scale.
13. In case of hiring of other vehicles wherever regular hired transport is existing or operating in station, the reasons for resorting to hiring needs to be specified.
14. If hiring in the circumstances mentioned above is due to non availability of a particular type of transport in the contract, reasons as to why that particular transport was not catered for in the contract should be given. If this was not provided for because the requirement for the same was not felt at the time of concluding the contract, the specific reasons as to how the requirement has come up now and why this could not be visualized earlier are to be given. If this requirement is going to be substantial or continue over a period of time, feasibility of including this requirement in the contract already existing was considered or could be considered.
15. If the hiring proposed is due to failure of contractor the same should be at the risk and cost of the regular contractor. Arbitration clause is also incorporated in the agreement/supply order.
16. How for the quoted rates compare with the rate obtained from RTO/civil transport authority in case the same has been obtained.
17. Is the hiring proposed inescapable and the requirement cannot be met by any other alternative method.
18. Details of expenditure incurred in hiring of transport up to the last occasion are given.
19. Sanction is not split up to bring the expenditure within financial power of lower CFA.
20. If hiring is resorted to very frequently, will it not be more economical to go in for regular contract for a specified period say 3 months, 6 months or 1 year etc.

21. Is the mode of tendering adopted is appropriate? The TE is required to be vetted by the IFA before issue.
22. All standard terms and conditions including transportation condition, specification of vehicles required, SD, mode of payments are to be clearly mentioned in TE as well as in contract supply order also.
23. Is adequate competition being ensured?
24. The existing instructions in protection of A.F stores during transit have been followed.
25. The contract should contain in addition to standard terms and condition certain special terms and conditions viz. loading or collection/delivery clause, estimated transportation time from consignor to destination, liability of contractor for safety of consignment, penalty clause etc. In case of insurance the responsibility to pay the premium for the same is fixed as per Government orders and clearly mentioned in the contract agreement.
26. Standard terms and conditions of payment are incorporated in the supply order.
27. Price negotiation if any with the L1 firm if the cost offered is higher and unreasonable to be carried out with associating the IFA. These negotiations are to be recorded in writing.
28. Draft supply order is required to be vetted by the IFA before issue.
29. In case of 6 monthly or yearly rate contracts the CFA will be determined with reference to estimated annual turn over.
30. Rate contracts are concluded for destination as well as on per km/ per ton basis and operated as per conditions which are beneficial to the state.
31. Proper justification for difference between market rate, LPR and current L1 rate may be recorded in TPC/PNC minutes.
32. The factors take into account for assessing reasonability of rates are recorded in the minutes. Some of the factors which influence hiring rates are rates of fuel, season, road conditions, location of units etc.
33. Hiring of road transport is to be done on per ton per km basis as a rule unless:
 - (i) The volume of consignment is large and is not commensurate with the weight. In such cases, hiring is to be done on per km basis.
 - (ii) If full truck load can not be utilized and due to operational/technical /security reasons, the balance truck load necessarily has to be left unutilized, hiring can be done on per km basis with a clear indication of tonnage underutilized.

SCHEDULE XI A, B, &C

General

These powers are to be utilised for all maintenance requirements related to aircraft and weapon system, associated support equipment, MT, Clothing, barrack equipment and all types of authorised stores.

On receipt of the proposal in IFA Cell, the following points may be seen :

1. It may be seen as to under which of the following categories the proposal falls:
 - a. **Periodical review:** It is carried out at the specified intervals i.e. half yearly for class A & B items and yearly for class C items.
 - b. **Special review:** It is an intermediate review and can be accepted in any one of the following circumstances:
 - i. When stock position has fallen below review action figure (RAF)
 - ii. When change in policy has affected consumption of spares
 - iii. When item is found to be fast moving
 - iv. AOG (Aircraft on ground), PHU (Production hold up), URR (Urgent repair requirement), IOR (Immediate operational requirement), MCM (Most critical material) requirement
 - c. **Life of Type Review :** It is the final review undertaken for provision of all ranges of an aircraft or equipment when intimation is received from the manufacturers that further production of requisite spares will be discontinued after a specific date.
2. It may be seen whether the range is centralized or decentralized.
3. In case of **first time requirement** Statement of case with detailed justification has been submitted.
4. In case the proposal pertains to bulk procurement of the items on which trials/ experiments and modification or indigenisation have been successfully carried out under Schedule 1 C,D and E, whether trial report and the approval of the product by all requisite agencies such as RCMA, CEMILAC, and DGAQA etc is there.

Life of Type Review

AON angle sanction

The following points need to be seen:

1. Whether all the general points under the heading 'Acceptance of Necessity'

have been seen.

2. Whether Overhaul/repair plan for the 'life of type period' has been formulated by the concerned Directorate.
3. Whether the overhaul/repair plan is for the residual life of the equipment based on TTL(Total Technical Life)recommended by the OEM and duly approved by the Government
4. Whether DMA (Director Maintenance Administration) has been requested to issue life of type forecast factor based on approved utilisation plan
5. Whether Life of type' review has been undertaken by Air HQ/OSD (Overall support depot)/ED, as the case may be for all affected spares and equipment on the basis of life of type forecast factor and approved overhaul plan/repair plan to ascertain the requirement.
6. Whether while working out requirement, already approved major inspection/overhaul programme of aircraft and aero engine or major equipment has been considered as dues-in.
7. Whether while working out the requirements, repair programme for rotables and spares for the repair task for the residual life of the equipments has been taken into account.
8. Whether 'Life of type" utilisation plan in respect of particular air craft/major equipment duly approved by Government is placed in the file.
9. When was the aircraft inducted and the period for which utilisation has been approved by Government.
10. Whether for calculating future requirement last five years average consumption is taken as CAR (Current Annual Rate) of consumption.
11. Whether the estimated cost is within the delegated powers.
12. Whether the reasonability of the price has been established with reference to provisions under the section "Pricing of Indent".

Acceptance of necessity angle sanction.

While carrying out scrutiny of file it is to be ensured that there is proper justification of qty and price/amount as well. The process of according necessity and expenditure angle approvals would be combined in cases where FPQ/Price List/ Pricing norms are available/ have been finalised. The following points should be kept in view at the time of scrutiny of proposals from necessity angle :

1. Whether all the general points under the heading 'Acceptance of Necessity' have been seen.
2. Whether the note gives brief description of each item, qty, amount, availability of funds and revenue code head to which expenditure is to be booked.
3. Whether the Proposal has the recommendation of penultimate CFA. (Wherever penultimate CFA is posted)
4. Whether the authority/schedules under which the proposal is required to be covered is indicated.
5. Whether the amount of expenditure proposed is not beyond the delegated powers of CFA.
6. Whether the provisioning review/ special review sheets, Census sheet (for scaled equipment), draft SORs (separately for each source of supply i.e. imports, defence PSU, indigenous indent, DPO and manufacturing task), working sheet (except in case of mandatory items where an updated copy of the Mandatory Lists will be submitted), and all other relevant documents are enclosed
7. Whether draft indent/RFP/RMSO is enclosed.
8. Whether the requirements have been technically vetted by an authorised officer
9. Whether the requirements projected are against scaled deficiency and under revenue heads only.
10. Whether necessary LLB check has been carried out and details enclosed for scrutiny.

11. Whether allocation of stock from other depots has been done. If not reasons for the same have been given.
12. Whether the dues-in details given are correct. For this purpose, if required, previous PR cycle papers from shadow file and supply orders placed for the items could be linked.
13. Whether yields from repair are taken as dues-in in case of rotables, aggregates and major assemblies.
14. Whether Pencil entries made in the PR(Provisioning review of last cycle concurred by IFA but yet to be converted into firm indent)are taken as dues-in.
15. Whether the MPE period taken for trade, DGOEF, import, shelf life items is correct and as per authorisation. Whether the quantities proposed for provisioning are within the MPE period.
16. Whether CAR reflects only recurring consumption and not the programme requirement (i.e one time requirement).
17. Whether the scales, task and Forecast Factor adopted are approved by Air Hqrs.
18. In cases where Air Craft/equipments are being phased out, whether revised scales and revised forecast factor approved by Air Hqrs have been issued to avoid over provisioning.
19. Whether the formulae adopted and arithmetical calculations are correct with regard to net requirement.
20. Whether justification and adequate reasons are given where material in excess of the requirement worked out by the standard formulae is recommended.
21. Whether in case of Nil / Low consumption during the last two years, requirement projected has been justified.
22. Whether budgetary support certificate exists.
23. Whether for imported stores each review is accompanied by import clearance certificate.
24. In cases where review is generated by Air HQ, whether the SOR is vetted by HQ (MC) for import clearance.
25. Whether a certificate that the item is not indigenised has been furnished by the concerned engineering officer in case of imported stores.

26. Whether AHSP/Inspection Agency is notified in all indents.
27. Whether advance payment is recommended at AON stage only in cases where the same CFA has the powers to sanction expenditure also.
28. In case of proposals for procurement on PAC basis, the points listed in the Section on PAC are to be also seen.
29. In case of non PAC single tender cases, whether proper justification/certificate exists to that effect.
30. When the requirement is census based the following checks need to be exercised :
 - What is the authorised scale
 - What are the holdings
 - Whether deficiency exists or not(Authorisation(-) Holding)
 - Whether quantity projected is with reference to deficiency
 - Whether deficiency is due to CAT 'E' or fresh requirements for rotables & repairables.
31. If item is not authorised and is yet to be scaled the proposal needs to be approved by AOM/VCAS as per schedule XII (J1-A)

Clothing items:

AON : Points to be seen

1. Whether all the general points under the heading 'Acceptance of Necessity' have been seen.
2. In case Clothing items are proposed to be procured from trade, whether written confirmation obtained from DGOEF regarding their inability to supply the item is enclosed.
3. Whether posted strength instead of authorized strength is taken into account for arriving at net requirement
4. The distribution sheet be verified to see that there is no surplus quantity held in different sizes. If surplus quantity is found, it may be ensured that the same is adjusted against other sizes to the extent possible.
5. In case of stitched uniforms net requirement is restricted to 80% as separate proposals are initiated for 20% abnormal sizes

6. As per latest Govt order, in case of summer uniforms 75% requirement indent is to be placed on DGOEF and only balance 25% on trade (auth Air HQ/61607/7/1/ST-1/PC-II to MF/2656/US-I/D(Air-IV dt 24.12.2004) This has to be complied with.
7. Whether the entitlement as well as life of items are as per authorization.
8. Whether family issue items like Net Mosquitoes, Blanket blue are as per authorization.
9. Whether additional issues of uniform to IAF (P), MTD (Mechanical Transport Division) personnel projected are as per authorization (auth for IAF (P) is AirHQ/23685/5/PM/705/ US/D(Air-IV dt 11.4.96 & MTD is Air HQ/99711/69/org(cer)/MF/543/US/D (Air-IV) dt 12.4.99)

Pricing of indents/Estimated cost

The following points need to be seen by IFA :

- 1) The basis adopted for pricing of indent is as per the following viz.
 - i. Last purchase price
 - ii. Budgetary quote alongwith OEM's priced catalogue and current discount rates
 - iii. Cost assessed by specialist officer in case of first time procurement
- 2) Copy of last supply order/LPO/DPO has been attached in case indent is priced with regard to last purchase price.
- 3) For HAL supplies pricing is done as per MOD guidelines
- 4) In case of HAL own manufactured items, the pricing is done as per FPQ (Fixed price quote).
- 5) In case of BOI (Bought out items) under RMSO, details of source, nature of item, imported or indigenous, handling charges, departmental charges, etc are to be called for from HAL.
- 6) Where pricelists are not available, wherever feasible, the cost break-up of the items quoted with regard to material, labour, overheads, profit, insurance, freight handling charges, taxes, duties are to be called for assessing the reasonability of rates
- 7) If estimated cost is based on LPP, whether element of excise duty and ST has been worked out separately or is included in the estimated cost. If included in the cost, the same needs to be mentioned separately(for indigenous purchases only).

- 8) It is to be ensured that escalation of L.P.P @5% per annum is not taken for assessment of estimated rate as a matter of routine(As per CVC guidelines there should be no extrapolation of estimated cost).
- 9) Whether the price of an item (Break down spare) has been compared to the price of its present aggregate, to ensure that purchase cost of the spare is not exorbitant vis-à-vis the cost of the aggregate.
- 10) Whether repair price of an aggregate has been compared to the cost of the new aggregate. It may be ensured that repair cost generally should not exceed one-third of the original cost of the equipment. Only in exceptional cases such as non-availability from the original source of supply, equipment being of old vintage and thus not on the active assembly line of the OEM, etc, may the cost of repairs be higher but maximum to the extent of 50% of original cost of equipment. A detailed justification giving reasons for higher cost of repairs is looked for.

Points to be seen wrt proprietary article certificate

- 1) PAC certificate has been attached in case of procurement on PAC basis signed by an authorized officer
- 2) PAC has not been accorded for bought out items unless they form part of main system/subsystem.
- 3) Efforts made to locate alternative source have been indicated in the PAC

Points to be seen in draft indents

1. The draft indent has been prepared in the prescribed format and full particulars including GIG no, part no, description of the item, quantity, details of major assembly of which the items are components or accessories and also the name of the manufacturer, wherever known, are indicated.
2. The indent has been priced based on the standard norms for pricing mentioned above.
3. The specific authority or Government letter under which powers are delegated for raising indent is clearly mentioned in the indents.
4. Sources of supply have been indicated in the indent.
5. The head of account indicated is correct.
6. Availability of funds to meet the proposed expenditure is certified and commitment noted.

7. The paying authority and paying officer are correctly indicated in the indent.
8. Mode of tendering viz OTE, LTE, STE or PAC is indicated in the indent.
9. In case indent is raised on Air Hqrs for import action, it should be ensured that
 - i. Indigenously available items are not proposed for procurement from abroad.
 - ii. Import clearance certificate is enclosed.
 - iii. Non availability certificate from indigenous sources is enclosed.
10. The consignee, inspecting authority & inspecting officer are indicated in the indent correctly.
11. A specific delivery date is indicated in indent. Ambiguous terms like "urgently required" "as soon as possible" should not be accepted. In case of perishable items with limited shelf life, delivery period should be suitably phased with due regard to the shelf life and anticipated rate of consumption.
12. It may be seen whether the indent is being forwarded to the appropriate CFA..
13. Financial concurrence no and date will be allotted and entered in FC register.

SCHEDULE XII A, B, C

AOG/PHU/MCM Items

Apart from other points mentioned above, the following points may also be taken into account :

- i. Whether non-availability of stock has been certified by the concerned depot.
- ii. Whether reasons have been elaborated as to how items have become AOG/PHU/MCM.
- iii. Whether powers of the CFA are restricted to 50% of what has been delegated under the Schedule for other items.
- iv. Whether the quantity requirement has been worked out as follows :
 - a) Quantity on AOG/PHU/MCM plus sufficient stock to meet requirements of three aircrafts/equipment (in case reserve quantity required).
 - b) Actual quantity required to meet PHU/MCM.

SCHEDULE XII A, B,C

Deputation of Specialist from abroad and within the country

Acceptance of necessity: Points to be seen

1. Whether a SOC giving detailed justification for hiring the specialists is enclosed. Whether it is clearly brought out as to why the task cannot be handled in-house with IAF resources.
2. Whether the no. of specialists and duration proposed is justified.
3. Whether the specialists are being requisitioned from OEM and if not whether sufficient valid reasons have been given for requisition from other agencies.
4. Whether there is an existing contract with the OEM under which it is obliged to provide the services of the Specialists and whether any conditions have been laid down therein for providing these services.
5. Whether proposal is comprehensively costed including reimbursement rates to the specialist and other facilities to be provided such as
 - i. Travel from abroad to India and back (in case of specialists from abroad)
 - ii. Travel by road, rail or air within India.
 - iii. Transportation at work site.
 - iv. Lodging and messing (if covered under the contract).
 - v. Facilities for families and recreation (normally in case of long stays subject to provision in the contract).
 - vi. Medical facilities
6. Whether in respect of specialist from the Government organization, clearance from his organization and certificate that no TA/DA is being paid has been obtained (in case TA/DA is to be reimbursed by the IAF).
7. Whether draft RFP is enclosed
8. Whether budgetary support confirmation is given
9. Whether PAC in case of single vendor situation has been signed by Director at AirHqrs or Dy.SMSO at HQMC.
10. Whether costing has been done correctly and appears to be reasonable.
11. Whether any Government approved rates for hiring of specialists are available.
12. Whether specialists are proposed to be hired from organizations/firms /vendors/ OEM only. (Freelance specialists can't be hired)
13. Whether the CFA has been determined based on total cost i.e cost of reimbursement to the specialists as well as the cost of facilities being provided to the specialists.

Vetting of RFP

1. Whether all relevant terms and conditions such as performance guarantee, duration of the contract, payment terms, etc as elaborated in General Points have been included in the RFP.
2. Whether RFP includes no. of specialists required, facilities to be provided to specialists, job content, etc.
3. Whether payment is linked with performance/output.

Expenditure Angle Sanction: Points to be seen

1. Whether all check points as indicated under General Points have been seen.
2. Whether CFA approval for AON is there.
3. Whether quotes have been submitted along with the CST.
4. Whether draft of SO/Contract is submitted.
5. Whether intelligence clearance has been obtained in case of specialists from abroad.

SCHEDULE XII A,B, C

Procurement of Maintenance Documents

Acceptance of Necessity

1. Whether the General Points as applicable have been seen.
2. Whether procurement of maintenance documents/publications is justified through SOC.
3. Whether the maintenance documents provided with the equipment by the OEM do not serve the purpose.
4. Whether the publications are to be procured from the original publisher
5. Whether in case of publications, a long-term subscription is required and if so, reasons for the same.
6. Whether any discount will be available on long-term subscription.

Note : For other stages such as vetting of RFP, Expenditure Angle sanction and postContract management, the standard checks as given under General Points may be carried out as applicable.

SCHEDULE XII (H)

FORMULATION OF MAINTENANCE SCALES, ARS, ROTABLES / AGGREGATES, TOOLS TEST AND GROUND EQUIPMENT

The provision under Schedule XII sub-schedule (J) is to be exercised for formulation of maintenance scales for ARS, Rotables/Aggregates, Tools, Test and Ground Equipment. The ARS booklet is to be reviewed once every two year. Rotables scale once every three years & TTGE scale once every five years. However amendment to scales can be taken up on as required basis.

(a) Checklist for ARS Scale

IFA will ensure the following when draft ARS scale is put up to him for scrutiny.

- (i) Whether a certificate has been given by the Tech Specialist of the Maintenance Cell that all mandatory spares required to carry out scheduled servicing/maintenance activities at first & second line / Operational & Internal (O & I) level have been accounted for.
- (ii) Whether items are included based on the past recurring consumption trend of class B & C items as per norms prescribed for depots, ASPs and operating units. The basic norm is that item should have shown a consumption trend every 04 months (to be translated to 1000/1500/2000 hrs as applicable). Details of consumption to support the Qty included in the scale should be provided.
- (iii) In case items, which do not fall in to the category at sub Para (i) & (ii) above are proposed to be included in the scale whether detailed justification for each item has been provided.
- (iv) Whether the scales for newly inducted systems are to be proposed based on the OEM's recommendations for 'I' and 'O' level spares.
- (v) Whether additional quantity required 30 days pack & detachment operations is clearly indicated.

(b) Checklist for Rotables/TTGE Scales

The following points may be seen:

- (i) Whether the TTGE scale is formulated as per guidelines given by AOMs S & P canon 7/2001.
- (ii) Whether the rotables scale is formulated as per guidelines in AFO 22/90. The rotables scale should be made in two parts. Part I is to include all rotables proposed to be scaled. Part II is to include all rotables (LRUs

/Aggregates /LSRUs/ Repairables) not proposed to be scaled. Part I & II combined together would thus form the complete list of rotables for the fleet/system.

- (iii) Whether the quantity required for 30 days pack and Dett operations is clearly specified in the draft TTGE rotatable scale.
- (iv) Whether supporting data to justify the quantity proposed to be scaled has been provided with the case.
- (v) Whether the proposal is routed through the AHSP / Indigenisation agency (which could be DGAQA/HQrs Office MC/ Maint cell).
- (vi) Whether the scaling will lead to overprovisioning / overstocking.

SCHEDULE XII J2

Replacement against existing item with an improved version

AON angle Concurrence

SOC is to be submitted to IFA for justifying the procurement under this schedule.

In SOC following points should be seen.

1. Whether existing item is out of production.
2. Whether existing scaled item is redundant.
3. Whether new version under procurement is cost effective.
4. Photocopy of Scale should be enclosed with SOC.
5. Whether Book Value is mentioned in SOC.
6. Whether year of purchase is mentioned.
7. Whether number of hours used is mentioned.
8. Whether expenditure incurred on repairs / OH / renewals / indicating any special infrastructure created has been mentioned.
9. Whether depreciation, obsolescence of technology is mentioned and justified.
10. Whether economic viability exists. For this proper statistics are to be submitted.
11. Two bid system of tendering should be followed.
12. Vendor list should be verified for registration etc.
13. Fund availability is certified.

SCHEDULE XII K

Powers for topping up the indigenous stores to SSF level

SSF: A pre-determined stock level on reaching which dues-in are hastened and further issues from stock holding depot are controlled by provisioning authority, except against AOG/IOR and all priority demands for indigenous items.

Issues below SSF level are also authorized against demands of ASP (Air Stores Park) but restricted to 50% of the available depot stock.

Acceptance of necessity: Points to be seen

1. Whether a statement of case has been submitted explaining the circumstances under which the situation of stock below SSF level has arisen.
2. Whether the following aspects are covered by SOC:
 - i. Details of Assets
 - ii. Consumption pattern for last three years (including recurring/non-recurring)
 - iii. RAF and SSF figure, action taken at RAF level, date on which SSF was fixed or AOG/PHU/MCM details where SSF is not fixed.
 - iv. Date on which stock held has fallen below SSF level.
 - v. Whether topping up is not proposed for scaled TTGE, scaled rotables and repairables.
 - vi. Reasons for long outstanding dues-in (this could be one major reason for stock falling below SSF level)
 - vii. Efforts made to realize the outstanding dues-in
3. It may be seen that in cases where trade supply orders are pending, whether it has been clearly spelt out as to how the present requirement will be procured.
4. The powers delegated to command CFA i.e AOC-in-C pertain to all depots and not for each depot. In other words purchases should not exceed the delegated powers

Expenditure Angle Sanction: Points to be seen

1. Whether the checks prescribed under General Points have been exercised as applicable.
2. Procurement action will be initiated by depot based on the sanction accorded by command for all cases exceeding Rs 5 lakhs associating the local IFA.
3. Sanction letter should indicate the amount on not exceeding basis. Cases beyond the sanctioned amount would be referred back to Command for sanction.
4. Normal procurement procedure associating IFA at all stages has to be followed.

SCHEDULE XII (L-1)

This schedule deals with powers to approve proprietary purchase from necessity and expenditure angle in respect of import, indigenous procurement (PSUs) and indigenous procurement (other than PSUs)

Acceptance of Necessity & Expenditure Angle Sanction :Points to be seen

1. Whether only one firm is registered for the particular range of equipment by Air Hq(Maintenance cell) for import or by AHSP for indigenous supply items.
2. How many times the item has been purchased on PAC basis
3. Whether the proposal is for procurement of an equipment or spares for an item procured on PAC basis earlier.
4. Whether efforts have been made to identify firms which manufacture similar range or which have the capability to produce the item.
5. Whether any indigenisation /development proposal is outstanding. If so details of the same should be furnished.
6. Whether Proprietary Article Certificate (PAC) is submitted in the prescribed format as envisaged in Defence Procurement Manual
7. Whether the PAC is signed by an officer not below the level of a Director at AirHQs/CLMO at HQMC/C Lgs O at depots.
8. Whether the procedure as laid down in DPM and Govt letters issued from time to time is strictly adhered to.
9. PAC should not be issued for purchase of any one particular brand.
10. In case of import, PAC is to be issued by the OEM and not their Indian Agent. It is to be seen whether after sales services will be provided by foreign OEM or by their authorized Indian agent.
11. Whether the product support during the life of the equipment is being ensured.
12. In PAC cases retendering should never be resorted to, as it will not serve any purpose
13. Cost break-up details may be obtained to assess the reasonability of rates

SCHEDULE XII (L2)

This schedule deals with powers to approve non-proprietary single tender purchases from necessity and expenditure angle in respect of import, indigenous procurement (PSUs) indigenous procurement (other than PSUs)

Acceptance of Necessity: Points to be seen

1. A statement of case has been initiated, highlighting the need or justification for resorting to purchase from single known source which should be resorted to only in inescapable circumstances.
2. Efforts made to identify new sources.
3. How many times the item was procured on STE basis during last three years.
4. Whether any development order is pending. If so details of the same to be called for to see whether purchase on single tender could be avoided.
5. Floating LTE to many distributors of the same brand should be treated as single tender and should not be accepted.

RFP

1. The standard clauses of RFP as applicable and listed under General Points are incorporated.
2. If Plant & Machinery or special equipment is purchased on STE basis product support till its lifetime is to be ensured.

Expenditure Angle Sanction: Points to be seen

1. Whether General Points as applicable have been verified.
2. If it is a resultant single tender case verify the following
 - a. Whether sufficient time was given to the firms to respond.
 - b. Whether tender opening date was postponed and whether intimation in that regard was given to all the tenderers.
3. Specific approval of CFA is to be obtained before opening single quote.
4. CFA is to satisfy himself about the method of dispatching of TE and consider the possibility of TE either not reaching the vendor or not reaching in time to enable them to quote before approving to open single quote.
5. In case of resultant single tender due to technical acceptance of single offer, retendering is to be resorted to with broad-based technical specifications as per DPM.
6. Retendering should not be resorted to if tenders were floated to one firm only initially.
7. Cost break-up details to be obtained to assess the reasonability of rates.

SCHEDULE - XII 'M'

POWER TO DECENTRALIZE INDIGENOUS PURCHASE NORMALLY UNDERTAKEN CENTRALLY BY AIR HQrs/HQMC

1. These powers are to be utilized in case the provisioning and procurement responsibility of the weapon system has not been de-centralized to HQMC/Depots/Units. Procurement in such cases can be decentralized to HQMC normally under following circumstances.

- (a) If HQrs MC or the Depot is the AHSP.
- (b) On grounds of administrative necessity.

Note: - Purchase includes procurement, repair, calibration and all other maintenance services.

2. HQMC or the Depot/Unit while forwarding its proposal is to give reasons in SOC why the procurement should be de-centralized. The Maintenance Cell at Air HQrs is to obtain necessity angle approval as per normal procedure as given in Sch XII A, B & C based on which it is to issue a letter of authority decentralizing the purchase. HQMC/Depot/Unit is to undertake the procurement as per normal procedure through TPC as given in Sch XII E& F.

Decentralization of Provisioning Responsibility to HQMC.

- 1. Occasions: - These powers are to be utilized for decentralization of provisioning and indigenous procurement responsibility from Air Hqrs to HQMC.
- 2. Range: - The complete range of IAF equipment is to be covered in a phased manner.

Procedure to be adopted:

- 1. The decision to de-centralize provisioning and indigenous procurement for any range of equipment to HQMC or Depot shall be taken twice a year i.e. on 1st April and 1st Oct of each year till the process is completed.
- 2. The decision to decentralize any range of equipment will be taken by a Committee consisting of:
 - (a) AOC-in-C HQMC
 - (b) AOM
 - (c) IFA - Air HQrs
 - (d) IFA - HQMC
 - (e) DMA - Air HQrs - Secy and Convener

Note: - AOC-in-C HQMC and AOM may co-opt additional members on case-to-case basis.

3. ACAS (at Air HQrs) and SMSO, HQMC and AOLM HQMC are to forward their proposals for decentralization by 15th Feb & 15th Aug of each year to the Secretary and Convener of the meeting.

The proposal should include:

- (a) Range of equipment to be decentralized.
- (b) Reasons for selection of the range of equipment.
- (c) Broad road map of the transfer including management during overlap period.
- (d) Infrastructure and manpower/establishment to be transferred.
- (e) S.O.C.

4. IFA may verify whether the following points are included in the SOC:

- i) Whether the proposal is stated in clear terms.
- ii) Whether the necessity is established supported with the advantages of decentralization.
- iii) Whether the relevant users requirement/procurement policy has been taken into account.
- iv) Whether there is any trial report. If so, whether details thereof are given.
- v) Whether the equipments/items to be decentralized are standardized.
- vi) Whether decentralization is of an imported item recently indigenised. In such cases, what will be the quantum of savings due to import substitution.
- vii) What will be the overall financial effect and savings if any due to decentralization.
- viii) What is the existing manpower holding and additional manpower required.
- ix) What is the existing infrastructure and additional infrastructure required and likely expenditure thereon.

5. Based on the inputs and proposals, DMA is to work out an agenda for the committee meeting. The agenda should be finalized after approval of the AOM. DMA is to forward the agenda along with the relevant proposals to all the committee members.

6. Based on the decision taken during the meeting, DMA is to issue a letter of authority decentralizing the provisioning and procurement responsibility. This

letter is to be issued in consultation with IFA. Copy of decision may also be enclosed to CGDA and PIFA.

7. DMA is to take up the issue through SOC as prescribed in 4 (e) with D.P.P. for transfer of establishment from Air HQrs to HQMC within 15 days of the decision of the committee meeting.
8. The committee is to also review the implementation of the decision taken on decentralization in the previous meeting of the committee.
9. DCAS & AOC-in-C HQMC, IAF are to take up infrastructure and manpower requirement with CGDA for IFA at Air HQrs and HQMC.
10. HQMC is to re-structure their functioning to the Maintenance cell concept on similar lines at Air HQrs. This is a mandatory pro-requisite for further and future decentralization.
11. The time schedule for implementation on the decentralization of each system should be finalized by the Committee in each of their meetings.
12. The Committee decision should be unanimous and differences if any are to be resolved mutually through consultations.

CHECK LIST SCHEDULE XII 'O'

Powers to place AOG/PHU/MCM requisition on Defence PSUs for indigenous items.

Area / Ranges covered.

Rotables / Repairable / LRUs / Maintenance and component level spares pertaining to Weapon system procured/supplied/repaired and overhauled/fabricated by M/S HAL and M/S Bharat Electronics and other Defence PSUs.

Occasions when these powers are to be exercised.

Depot Commanders conferred with the subject powers are to make use of the delegated financial powers to expeditiously procure spares required on AOG / PHU / MCM from Defence PSUs mainly M/S HAL and M/S BEL subsequent to realizing that spares or their in lieu are not immediately available to meet AOG / PHU / MCM demand.

Points to be seen.

- 1) Whether Non availability of stock as against AOG/PHU/MCM has been certified by the concerned Depot, and requisition has been raised on concerned Defence PSU within 2 working days of receipt of demand.
- 2) Whether reasons have been elaborated as to how item has become AOG/PHU/MCM.
- 3) Whether quantity to be requisitioned from the PSUs has been worked out as follows
 - a) Quantity on AOG/PHU/MCM + sufficient stock to meet requirements of three Aircraft / Equipment (this is only applicable in case of recurringly required spares and not non-recurring spares and repairable) or
 - b) Actual Quantity required to meet PHU/MCM.
- 4) Whether details of the requisition raised have been submitted.
- 5) Whether the estimated cost is worked out with reference to LPP / Budgetary quote / Price list.
- 6) Whether the price quoted is within the delegated financial powers of the AOC/CO of BRD/ED/AFLE. If not, the case is to be referred to Air Hqrs (Maintenance Cell) along with all details and views of the local IFA.

- 7) Whether prices quoted are reasonable among other thing with reference to LPP / Price list / Budgetary quote. Whether other terms & conditions are such as to ensure a reasonable time frame of supply for clearance of the AOG/PHU/MCM.
- 8) Whether cost break-up has been given where the price is not available in FPQ/ Price list.
- 9) Whether efforts have been made to explore availability from other service sources.
- 10) Whether reasons why additional quantity is being procured or MOQ / EOQ requirements (if applicable) is given. However efforts should be made to procure as per actual requirement only.
- 11) Whether details of dues in have been given.
- 12) Whether availability of funds in relevant code head is given.
- 13) In cases where PSU quotes unreasonable high rates for high value BOI item, it is expedient to negotiate such rate with PSU and OEM / its representatives for BOI items in PNC. A list of BOI items and a list of manufactured items be got submitted by the PSU separately.
- 14) In case of high value BOI items, detailed information such as Source of supply, Handling / Departmental charges of PSU, price of the bought out items with regards to invoice be called from PSU.
- 15) IFA will vet covering draft RMSO / S. O. with regard to PNC minutes, if any, rates, terms and conditions of supply order such as delivery schedule, L.D. clause, warranty / guarantee, payment terms etc.

CHECK LIST FOR STITCHING OF UNIFORM UNDER SCHEDULE XII (P)

General:

Stitching of uniforms involves buying the fabric and then entering into contract for stitching

Acceptance of Necessity

The following points may be kept in view while examining the proposal from necessity angle:

- (1) The Provisioning review sheet, Schedule of requirement, Assets status, Dues-in details, Distribution sheet, working sheet etc is submitted for scrutiny.
- (2) The posted strength is taken into consideration for working out the net requirement instead of authorized strength.
- (3) The authority under which the uniforms are authorised is indicated in the provisioning review sheet.
- (4) The entitlement of each personnel taken in the PR is as per authorisation.
- (5) The MPE period, Life of the item are as per authorisation.
- (6) It is to be ensured that stock position, Dues-in details furnished are correct. Link the same with previous PR files
- (7) The distribution sheet is verified to see that there is no surplus quantity held in different sizes. If surplus quantity is found, it may be ensured that the same is adjusted against other sizes to the extent possible
- (8) The population of each size projected is realistic, otherwise it may lead to excess holding in one size and deficiency in other size
- (9) In case of revision of specification its impact on the life of the item is to be ascertained, as life of the item is important factor in working out the net requirement.
- (10) In case of stitched uniforms net requirement is restricted to 80% of the total requirement as separate proposals are initiated for 20% abnormal sizes
- (11) As per latest Govt order, in case of summer uniforms 75% requirement indent is to be placed on DGOEF and only balance 25% on trade (auth Air HQ/61607/7/1/ST-1/PC-II to MF/2656/US-I/D (Air-IV dt 24.12.2004) This has to be complied with.

- (12) In case the uniforms are proposed to be procured from trade, whether written confirmation obtained from DGOEF regarding their inability to supply the item is enclosed.
- (13) In case of purchase of fabric for stitching the quantum of cloth for each uniform taken for calculation is as per authorisation.

Expenditure Angle sanction

Important points to be ensured at the time of vetting of TE of stitching of uniform where IAF will provide fabric for stitching

- (1) Quantum of cloth that will issued for each Trouser and Shirt to be clearly specified.
- (2) Place and mode of collection of fabric
- (3) Collateral security deposit for fabric that will be issued for stitching
- (4) It should be ensured that the quantum of cloth issued is equivalent to the collateral security deposit held, fresh lot of cloth for stitching is to be issued only after receipt of stitched uniform in acceptable condition against previous issue of cloth.
- (5) Security deposit is to be taken in addition to collateral security deposit for performance of the contract.
- (6) Since the delivery period is linked with the issue of fabric it is to be fixed in a realistic way for each installment/lot.
- (7) Insurance of fabric against theft, fire or loss to be done by the stitching firm.
- (8) No Flag allowance that the manufacturer gives to the purchaser at the time of purchase of fabric in bulk will be passed on to the stitching firm.
- (9) Mode of dispatch of stitched uniform to the respective consignees
- (10) In case of purchase of stitched uniform the criteria that will followed for determining the L1 is to be clearly spelt out.
- (11) The specification of fabric that is to be used for stitching is to be clearly given to ensure level playing field for all.
- (12) The firms may be advised to furnish the cost break-up details of fabric, tailoring charges, quantum of fabric that is being used to determine the L1.
- (13) Cost benefit analysis may be carried out before placing the order as to whether buying the stitched uniform is beneficial to the state or buying the fabric separately and stitching it is beneficial to the state.

CHECK LIST FOR SCHEDULE - XII (R)

The powers delegated under this sub-section are quite different from the delegation of financial powers under sub-section 'A' to 'Q' of this Schedule. The difference is on account of the fact that purchases can be made directly of those items which are normally procured through Central Purchase Organizations on the grounds of administrative necessity. In the proposals of this nature, the demanding unit/lower formation shall receive an order/sanction signed by the CFA to carry out the purchases directly on his behalf.

These powers are exercisable by the CFAs only in consultation with IFA. The proposal should contain the following documents:

- A) Demand as raised by the unit/lower formation stating the urgent necessity of the direct purchase and not purchase through normal channel of purchase.
- B) PR Sheets, if applicable.
- C) Details such as rate and the basis for the same along with budgetary quote, if obtained, sources of supply, stock position, quantity required and budgetary support.
- D) Draft order on the unit/lower formation to undertake purchase to be signed by the CFA. Name of the firm where from stores are to be procured shall not be given in the DPO.
- E) Technical vetting of the requirement of stores to be purchased through DPO.
 - IFA before according the concurrence shall satisfy himself that above points have been complied with.
 - Care has to be taken while examining the administrative necessity/urgency as stated by the user units.
 - IFA shall ensure that the financial effect of the purchase is within the delegated financial powers of the CFA.
 - While giving his concurrence IFA shall advise that purchases should be made in accordance with the laid down purchase procedure.
 - The local IFA should be associated at all stages of procurement i.e. from tendering to finalization of the contract/S.O.

SCHEDULE - XIII

Powers for regularization of audit objections arising out of breaches of Rules and Regulations when the monetary value of the loss could be assessed.

The irregularity will be regularized in consultation with CDA/IFA under the procedure prescribed in Chapter VII of FR Pt.I Vol-I.

Financial power of officers competent to regularize such objections and the illustrative list of type of objections, which may be regularized under this procedure, are laid down in Appendix II of FR Pt.I Vol-II.

- I) Irregularities connected with Railway Warrants and M.C. Notes e.g. irregular issue of Warrant / Military credit note.
- II) Non-production of receipted copies of issue vouchers of store, failure to trace in the ledger credit in respect of receipt voucher.
- III) Erroneous expenditure in respect of deployment of manpower.
- IV) Loss of auditable documents like car diaries, ration strength return where ceiling of the value of transaction involved can be assessed with reference to total value of POL issued or rations drawn during the period to which documents pertains.
- V) Irregularities connected with the use of MC Note. (These powers will be exercised after the necessity for and practicability of recovery has been considered by the CFA.)

Checks to be exercised by IFA Cell

1. Whether SOC is submitted with the following particulars:-
 - i) Whether SOC indicating full particulars is submitted in six copies.
 - ii) Whether nature of irregularity is clearly brought out and financial effect also correctly computed.
 - iii) Whether remedial action taken to avoid recurrence of the cases is indicated.
 - iv) Whether responsibility for breach of rules, has been fixed and recovery action/disciplinary action initiated in case any individual is found responsible.
 - v) Whether SOC is accompanied with the initial audit report by the LAO(AF).

- vi) Whether SOC is vetted by the respective Specialist cell and processed for final audit report.
2. On receipt of the SOC, concerned section in Command / Air HQ will register the details of the case in the register maintained for the purpose.
3. If all the conditions are being fulfilled the case will be put up to IFA for necessary concurrence, wherever applicable.
4. On receipt of case for IFA concurrence, the case will be put up for CFA for necessary action.

CHECKLIST FOR SCHEDULE XIV (A & B)

AON Sanction

- i. The user Directorate/Unit will submit the requirement through a statement of case indicating justification, Qty and financial implications.
- ii. The SOC should have recommendation/ approval of appropriate authority at the Directorate/Unit level.
- iii. On receipt of SOC, respective Dte authorized to incur expenditure will submit the proposal through a note in the file for concurrence of IFA for acceptance of the approval from necessity angle.
- iv. The note-seeking acceptance of necessity angle sanction should be coined in a thoughtful manner so that it is capable of being understood even by a layman.
- v. Part I of note should indicate the details of case in brief, item for which SOC has been submitted. It may be ensured that no other requirement of similar type of item exists. If it exists it should be clubbed to avoid piece-meal sanction.
- vi. All stationery items will be procured through competitive tendering. Tenders will be invited from Kendriya Bhandar, Super Bazar, NCCFI along with reputed private firms/authorized dealers.
- vii. If item is to be procured through trade NA CERTIFICATE from Government agency should be obtained. Mode of tendering is to be specified viz. OTE/LTE/STE/PAC.
- viii. It may be clarified as to whether item has been procured in the past or not. If procured, at what cost and if not procured, what is the basis of cost. Budgetary quote should be placed in file.
- ix. Whether procurement will be made on the basis of competitive tendering or on Propriety Article Certificate Basis from OEM/Authorized dealer.
- x. Availability of Funds should be indicated in the prescribed proforma. Code Head to which expenditure will be booked may be mentioned.
- xi. A SOR should be placed in file indicating description of item, Qty, rate, total financial implication and source of supply.
- xii. Recommendation of penultimate CFA should be obtained before submitting the file for concurrence of IFA.
- xiii. The specific authority/Schedule of delegated power under which CFA can accord sanction be indicated.
- xiv. IFA will examine the case based on justification, Qty, estimated cost and concur for obtaining CFA sanction from acceptance of necessity angle sanction.

- xv. It may be seen as to how the net requirement has been worked out. It must be worked out based on last 3 years' expenditure, present and forth coming requirements, average consumption data etc.
- xvi. In case LP of brass seals is proposed, it may be seen that brass seals of round shape are not indented as they are reserved for use by Indian Embassies and other high dignitaries.

Expenditure angle sanction

- a) After obtaining approval of the proposal from necessity angle, sanction of the concerned Dte which is authorized to incur expenditure and at whose disposal funds are placed will process the case for procurement through Government Agency for Trade sources IFA should be associated for selection of vendors for procurement through trade.
- b) Sealed Quotation/ Tenders will be invited in a sealed cover on the basis of SOR/mode of dispatch of quotation to vendors. Tech and price bid to be obtained separately. Price bids of only those firms should be opened who are declared tech acceptable by TEC. (Remarks of TEC should be obtained in file). The date and time of opening of quotations will be specified in the letter for invitation of tenders.
- c) Signature of vendors present at the time of opening of tenders should be obtained.
- d) Representation of IFA should be associated at the time of opening of Bids. In case no vendor is present at the time of opening of Bids, a BOO should open the price Bids.
- e) Signature of at least two officers should be obtained on all the Price Bids.
- f) A comparative statement of Price bid should be prepared in presence of vendors and lowest vendor should be ascertained. CSQ should also be signed by two executive officers. CSQ will be vetted by IFA/rep of IFA before it is put up to TPC for sanction.
- g) Based on price quoted by lowest vendor, the proposal should be submitted for expenditure angle sanction or holding price negotiation if rates are not considered reasonable. IFA should be associated during PNC.
- h) A draft sanction letter be enclosed.
- i) It may be certified by the executive authorities that in no case more than three sanctions in respect of any unit has been accorded in a quarter. Likewise not more than one sanction in a month should be accorded in case of any unit.

SCHEDULE XIV(C)

1. Duplication/Printing of maintenance documents through JD Publication should be resorted to only in the following cases:-
 - (a) The publication does not fall under the purview of copy rights Act.
 - (b) The publication is not classified.
 - (c) The total number of pages of the publication to be duplicated is more than 10 pages and is to be distributed to more than 25 addressees.
2. Sponsoring Directorate is to forward the request for duplication to JD Publication Air HQ (RKP) along with the following documents/information:-
 - (a) "Camera-ready" copy of the manuscript duly authenticated (Hard print and Floppy/CD wherever feasible). Quality of paper, ink, binding etc should be clearly brought out.
 - (b) Date by which the job needs to be completed.
 - (c) Requisition slip along with Certificate duly signed by the Director.
 - (d) Broad justification for the duplication/printing and the utilization of the total copies proposed to be printed.
 - (e) Details of consumables required to be procured.

JD Publication/CSDO would then cost the proposal and forward the case with all the details to IFA (if powers are to be exercised in consultation) and CFA for approval after which the printing/duplication job is to be undertaken. For in-house duplication the proposal could be combined from necessity and expenditure angle.

SCHEDULE XV (B)

Ceremonial Parade

Conditions

- (i) Powers should be exercised through the Dte of Accts/C Accts O/S Acct O who is to ensure that adequate funds have been allotted and are available in the budget of the financial year.
- (ii) Powers in respect of purchase of stores relate only to purchase of indigenous stores and not in respect of stores from abroad.
- (iii). All financial powers authorized to the Competent Financial Authorities in this Schedule are with respect to each transaction.

Checklist

- (1) All the expenditure, other than transportation charges, incurred in connection with Ceremonial Parades, including parades on the following occasions be governed under these rules:-
 - (a) Republic Day
 - (b) Independence Day
 - (c) Air Force Day
 - (d) Visits of high officials to military stations.
- (2) All the expenditure under this head will be debited to "Unit allowances and other Miscellaneous Expenses".
- (3) Expenditure incurred on transportation charges i.e., cost of government transport, hired transport or transport by rail and cost of petrol, oil and lubricants consumed shall be met from the respective accounts head concerned.
- (4) The justification and fulfillment of conditions governing the requirement must be clearly brought out in the SOC.
- (5) The LP procedure as enumerated in Schedule VIII would be followed for purchase/hiring of crockery, cutlery, shamiana(s), refreshments etc.
- (6) The expenditure is to be within the laid down financial limits.

SCHEDULE XV (E)

Power to sanction expenditure on sports and adventure activities/equipment including import of sports equipment/sports Arms and Armament

Conditions

- (i) Powers should be exercised through the Dte of Accts/C Accts O/S Acct O who is to ensure that adequate funds have been allotted and are available in the budget of the financial year.
- (ii) Powers in respect of purchase of sports equipment relate to purchase of indigenous stores as well as import of sports equipment from abroad.
- (iii). All financial powers authorized to the Competent Financial Authorities in this Schedule are with respect to each transaction.

Checklist

- (1) The justification and fulfilment of conditions governing the requirement must be clearly brought out in the SOC.
- (2) The LP procedure as enumerated in Schedule VIII would be followed for purchase/hiring of sports equipment etc.
- (3) The conduct of various adventure activities is to be got done through the approved agencies only
- (4) Only those adventure activities are to be conducted which are authorized in the annual Government sanction.
- (5) The expenditure is to be within the laid down financial limits.

SCHEDULE XVI (A)

Payment of Demurrage / Storage and wharfage charges

Immediate action is required to collect the goods from carriers to avoid demurrage or other charges. When due to various reasons the goods could not be collected and demurrage charges are imposed, it is the responsibility of the Officer to take immediate action to release the goods to avoid further imposition of charges. After payment of demurrage charges, the case should be submitted for obtaining ex-post facto sanction for regularization of loss.

Points to be seen

The following checks are necessary :

1. Whether the proposal for obtaining CFA sanction has been submitted in file along with a statement of case giving full facts of the case, reasons for delay in collection of goods and responsibility for failure in ensuring the release of goods in time.
 2. Whether RR No / AWB No and date against which charges have been paid are indicated in SOC.
 3. Whether the following documents have been enclosed with SOC:
 - (a) "Regular check" certificate from MCO / designated Officer of the Unit.
 - (b) Court of Inquiry / BOO proceedings, if any,
 - (c) Copy of Waiver certificate, (if loss is not due to TFN or when loss due to TFN is upto Rs.10,000/-).
 - (d) Photocopy of receipt of demurrage charges paid to carriers for which proposals have been submitted.
 4. Whether remedial action is suggested / proposed to avoid recurrence.
 5. Whether the copies of correspondence, related to delay have been enclosed.
- IFA has to advise action for regularization of loss under CFA's power in case the recovery is not effected.

Documents required to be examined by IFA in cases of loss regularisation.

- I. Copy of SOC as per AFO 22/2000.
- II. Copy of LS duly price checked by PCDA (AF) / JCDA (AF)/ LAO (AF) as the case may be (in terms of Rule 163 of FR Pt I Vol I).

- III. Waiver sanction for COI by CFA under Rule 156 and 157 of FR Pt I Vol I. Otherwise COI documents and recommendation of COI and duly approved by penultimate CFA (AFO 14/05).
- IV. Remedial action report.
- V. Remarks of Specialist officer.
- VI. Chronological delay report.
- VII. Chronological Action Report for the recovery from the concerned officials.
- VIII. LAO (AF) Audit Report duly working out ultimate CFA.
- IX. In case any individual is found blameworthy, then recovery action as per Rule 160 of FR Pt I Vol I. Otherwise, a copy of Administrative action report is to be enclosed.
- X. Remarks of penultimate CFA on IAPP (28) before submission to CFA and IFA.
- XI. Copy of 'N' Series Voucher or MRO (if applicable) for the verification on account of recovery of Demurrage charges.

SCHEDULE XVI (B)

Transit insurance (Per transaction)

Transit insurance is to be undertaken in exceptional cases only.

CFA sanction is to be obtained from necessity and expenditure angle separately.

Checks for necessity angle sanction.

1. Whether proposal is submitted giving full facts of case and justification through a SOC as to why insurance is considered necessary.
2. Whether the SOC gives full description / justification viz.
 - i) The item is fragile.
 - ii) Air carrier is likely to pass through storm or through airspace of the country where war / unrest is anticipated.
 - iii) Civil Road Transport is likely to pass through strife torn town / flood hit area, Naxalite area, hostilities area / hostilities / insurgency.
 - iv) Operational requirement.
 - v) Carrier transporting inflammable goods.
3. Whether past reference, if any, where insurance cover is provided in similar cases has been given.
4. Whether the risks proposed to be covered are likely to be encountered.
5. Whether the nature of stores is such so as to warrant transit insurance i.e. highly fragile or highly sophisticated.
6. What is the value of stores being transported and what is the amount of insurance premium being paid. The vintage of stores be also seen.
7. Whether draft insurance policy is also enclosed indicating risks to be covered. Insurance policy should clearly state who would operate.
8. Whether the availability of funds has been confirmed and code head to which expenditure is to be booked is indicated.
9. Whether the paying agency has been indicated.
10. Whether in case of valuable items sent by speed post also, possibility of taking transit insurance cover from Postal authorities is considered.
11. In cases involving transit insurance of the stores that are freshly supplied / yet to be supplied by the vendor, it may be seen as to whether in terms of the supply order, transit insurance is the responsibility of the vendor or the purchaser.
12. Whether a multi-contingency cover is required or only a single contingency cover will suffice.

13. If insurance cover is being taken regularly / frequently, it may be seen as to in how many cases the damage was actually caused.

Vetting of RFP

Points to be seen:

- 1) Whether all standard conditions, as applicable, are included in the TE.
- 2) It may be seen that the TE is proposed to be sent only to the nationalized insurance companies.
- 3) The clauses of the RFP be checked minutely to ensure that the Government interest is adequately safeguarded.
- 4) Whether there is a provision for a pre-bid conference with insurance companies to apprise them of the requirement of the IAF and clarifying doubts in cases where a customized insurance policy is envisaged.
- 5) In cases where secrecy of equipment to be transported is to be maintained, whether a clause to that effect has been included in the RFP.
- 6) In case where some claim is pending with insurance company, reasons for the same be called for. If pendency is due to some deficiency in the earlier contract/ procedural problems, it may be ensured that the current RFP is free from any such deficiency.

Expenditure Angle Sanction

Points to be seen:

- 1) Whether all the general requirements for taking expenditure angle sanction are fulfilled.
- 2) Whether quotations of all bidders are submitted.
- 3) Whether premium rate has been negotiated to achieve the best rates.
- 4) Whether a draft insurance policy has been submitted.
- 5) It may be seen that the conditions for compensation of loss in the draft insurance policy should not be such which make it almost impossible to claim the damages.
- 6) Whether the system of payment and insurance operating officer have been indicated in the draft policy.

CHECK LIST FOR SCHEDULE - XVI (C)

Financial powers delegated under this schedule deal with issue and regularization of ROH task on BRDs/HAL Dns and other PSUs relating to Aircraft, aero-engines and rotables.

Points to be seen for task to be issued to BRD

- Whether ROH task to be issued on BRD is formulated and technically vetted as per provisions of the SOP and based on the supporting documents mentioned in IAP-1541, Leaflet No. 30.
- Whether comments/amendments of BRD have been obtained on draft task in case of decentralized ranges. In case of centralized ranges recommendations of HQMC (SMSO level) are to be watched.
- In case task of repair agency is being reduced due to constraints, whether constraints have been highlighted and details of items/aircraft/system not included in the task due to constraints have been submitted along with action suggested.
- Whether recommendations of penultimate CFA are there.
- In case of delay in issue of task whether delay report signed by ACAS (in case of centralized ranges) or SMSO (in case of decentralized ranges) giving reasons for delay is attached.

Points to be seen for task to be issued to HAL Divisions

- Whether draft repair task has been finalized with the concurrence of HAL Divisions and the CO of the AFLE concerned.
- Whether pricing of the task has been done as per AOM's S&P Cannon 1/2002. Details of the costing and the basis of costing may be watched.
- Whether task quantities are finalized at Air HQrs (for centralized ranges) and at HQMC (for decentralized ranges).
- Whether recommendation of penultimate CFA is there.
- Whether the budgetary support confirmation has been given.
- Whether advance payment, if any, recommended to HAL is in consonance with the prescribed ceiling.

Points to be seen for task to be issued on PSUs (where pricing norms are finalized by MOD)

- Whether draft repair task has been finalized with the concurrence of the PSU and the AFLE concerned.
- Whether govt orders under which payment of the draft repair task will be regulated have been indicated.
- Whether task quantities are finalized at Air HQ (for centralized ranges)/HQMC (for decentralized ranges).
- Whether recommendation of the penultimate CFA is there.
- Whether budgetary support confirmation is given.

Note: In case where repairs are to be undertaken through PSUs with whom no pricing agreement exists, repair/overhaul should be undertaken as per the normal procedure for repair of AF equipment under Schedule XII.

Ad hoc task: Points to be seen

It may be seen that additional tasks such as modification, embodiment, painting, wing repairs, up-gradations etc., are formulated based on actual requirements.

Amendment to tasks during task years: Points to be seen

- It may be ensured that no reduction in task is to be sought unless the repair arisings (demand) are expected to reduce as compared to what was anticipated when the initial task was proposed.
- The constraints which are beyond the control of HQMC/ BRDs have been brought out in case of decrease in task as also the alternative action suggested for making the shortfall.
- Increase in task is supported with requisite data.

Regularisation of Task: BRDs, HAL, PSUs

To regularize the ROH task, a detailed final review is carried out on production status of each individual item/equipment of the task assigned at the end of the task year at SMSO, HQMC level with recommendations, suggesting corrective measures in the event of shortfall before the case is received in Air HQ (for centralized ranges). For decentralized ranges also, review will be carried out by HQMC.

It may be seen that the case for regularization of the task contains the following:

- The repair task issued is properly linked and summarized.

- Task achieved based on inputs of repair agency/HQMC has been given along with reason for over/under achievement.
- Task is related to serviceability for fleet/weapon system as a whole during the repair period.
- Remedial measures to be taken or taken and also the action to be taken to avoid recurrence of inaccurate tasking, case of repairs of items where task is under achieved.
- Effect of under achievement on the fleet/system as a whole has been brought out.
- Confirm whether budgetary adjustments have been made for over/under achievements.
- In case of delay in seeking regularization, the delay report signed by ACAS (for centralized ranges) or SMSO (for decentralized ranges) is on the file.
- The case is put up to CFA after concurrence by IFA.
- On approval by the CFA, formal amendment to the task is issued on regularization.

SCHEDULE XVI (F)

Declaration of surplus with no alternative utilization

VCAS / AOM Air Hqrs has been delegated full powers for declaring an item surplus in respect of centralized ranges and AOC-in-C, HQMC in respect of decentralized ranges.

Surplus stores can arise on the following occasions

- i. Whenever a major assembly is declared obsolete
- ii. Whenever Modification (MOD) is introduced which renders a previous MOD or a part of equipment non-usable.
- iii. Whenever an up gradation is introduced.
- iv. Whenever a PR/SR is raised.

The following points are to be seen

- 1) That active stocks are declared surplus by the Mother / Repair depots and not at Unit level.
- 2) That in case of active stocks Current annual requirement (CAR) has been taken into account while initiating action for declaring class 'B' & 'C' stores as surplus. CAR during the last 5 years should be studied and there should be no recurring consumption and the surplus is to be worked out as per the relevant SOPs.
- 3) That in case of items capable of being repaired, items falling in the category of rotatables and class 'A' stores which are held beyond known IAF requirements, have been considered for declaring surplus.
- 4) That obsolete items have been declared surplus under the authority of Air HQ Routine Order Part IV.
- 5) That whenever there is modification / up gradation, the items to be discarded have been considered for declaration as surplus. It may be ensured that this includes not only pre-upgrade or premod items removed from Air craft, but also stock of such items held in store at Units / BRDs / EDs etc.
- 6) That surplus report cum Disposal Review Statement has been raised by the Unit in the format prescribed in the SOP for active, obsolete and obsolescent stores.
- 7) The surplus lists have been technically vetted by HQMC in case of decentralized ranges and by Air Hqrs in case of centralized ranges.

- 8) The following documents may be verified:
- i) Review documents i.e. basis of arriving at the surplus quantity.
 - ii) Authority for declaring the items as obsolete/obsolescent.
 - iii) Authority for carrying out mods / upgradation.
 - iv) Technical vetting by the Committee under SMSO Branch. Certificate that no other alternative utilization is possible.
 - v) Allocation of item identified as usable for alternate use within the same services / other services.
 - vi) Certificate that "Dues in" have been cancelled.
 - vii) Draft letter of authority is placed in the file.

SCHEDULE XVI (G) & (H)

Disposal of Salvage and Surplus

The following points are to be seen

- (a) Whether a surplus report along with the sanction of Competent authority for declaring the item as surplus is placed in the file. However, for disposal of salvage, no surplus report is required.
- (b) Whether complete stock is transferred to a single location e.g. Army salvage depot to retrieve substantial value on disposal.
- (c) When transportation cost to one location exceeds the expected retrievable scrap value or if the value of scrap is negligible, disposal in-situ may be considered.
- (d) One of the following procedures is to be followed as under.
 - I. Disposal through local auction. (If the total value of stores is Rs.50,000/- or less in a single category / report).
 - II. Disposal through MSTC.
 - III. Disposal through approved Government auctioneers. (in case no contract exists with MSTC).
- (e) Whether MRP is fixed by B.O.O. (Auction at the rates below / above MRP is regulated as per the guidelines mentioned in the SOP).
- (f) Whether procedure laid down in AFO 19/2000 is followed.
- (g) Whether the procedure prescribed in Rule 196 to 200 of GFR in addition to the SOP is followed.

SCHEDULE XVI (J) & (K)

Fixation of MRP and Relaxation of MRP

The following points may be seen :

1. Whether the MRP is fixed by the local (condemnation) BOO at the Units which consists of the following officers.
 - (a) CLO / SLO
 - (b) Representative of CE Officers
 - (c) Representative of IFA
 - (d) Representative of SAO (Unit)
2. Whether the local BOO has assessed the physical condition of the stores and recommended the MRP as per AFO 19/2000 taking the following factors into account:
 - (a) Condition of stores / year of manufacture.
 - (b) Prevalent market rates as contained in the National dailies such as Economic Times / Financial Express.
 - (c) Book value of stores where applicable.
 - (d) Utility of stores as such or in the modified state.
 - (e) Last auction rate, if any.
 - (f) Price vocab lists of vehicles.
 - (g) Market intelligence provided by MSTC in relation to the items covered by the agreement.
3. Whether sanction of the appropriate CFA is there for the declaration of surplus.
4. Whether a certificate to the effect that the MRP was kept in a sealed condition with AOC / OC of the Units and handed over to the Sale Supervising Officer / Unit Representative at the time of auction/tender is enclosed.
5. Wherever relaxation of MRP is sought in consultation with the IFA, reasons for recommendation of bid lower than the MRP have been spelt out.
6. Whether the stores for which relaxation is sought in MRP were put to bid earlier also or bids have been called for the first time.
7. Whether re-bidding will be more beneficial to the State or acceptance of bids below MRP. Factors such as deterioration of stores with the passage of time, occupation of space, environmental hazard, if any and cost of calling for bids again be taken into account.

SCHEDULE XVI (L)

Issue of Items on Loan

The following points be seen:

1. Whether item has been issued on loan contract. If so, no sanction / concurrence within the validity period of the contract is required, if the terms of issue on loan are as per the contract.
2. Whether in case of issue of loans of EW, Armament and secret equipment, approval of Air Hqrs has been obtained.
3. Whether a SOC is initiated bringing out the necessity of issue of item on loan. In case extension of loan period is sought, reasons for extension are brought out clearly.
4. Whether loan period does not exceed 2 years. For all cases exceeding 2 years, sanction of MOD is required.
5. Whether a collateral security has been obtained from the contractor for the loaned item.
6. Whether an undertaking is obtained from the contractor that the item will be returned in time and in the condition it is supposed to be returned.
7. The provisions as contained in AFO 19/2000 may be kept in view .

SCHEDULE XVII (A & B)

FOLLOWING DOCUMENTS ARE REQUIRED TO PROCESS THE IFA (WORKS) CASES

1. Board Proceedings.
2. Statement of Case.
3. Accommodation Statement Part I and II.
4. Engineering Appreciation.
5. Approximate Estimates Part I and II.
6. Quarterly return for Market Variation and Difference in cost of store.
7. Market analysis in respect of items based on assessed rates/market rate.
8. Policy letter if any involved in proposal.
9. Administrative Approval in respect of rates taken from previous released works.
10. Land availability certificate.
11. Area furniture rate list.
12. Water and Electricity availability certificate.
13. Plinth area rates for married and OTM accommodation.

**CHECK LIST FOR THE SCRUTINY OF AE's /RAEs IN RESPECT OF
CIVIL WORKS OF AIR FORCE**

BOARD PROCEEDINGS

- 1) 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.
- 2) That the Board Proceedings have considered the following points/aspects:
 - (a) Justification for external services like external electrification, external water supply, roads & paths, sewage disposal and compound 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 DGOF Organization have been cleared by the Integrated Finance at appropriate level from the necessity angle.
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 work stands included in the MWP for the year concerned.

7. (a) That special items, if any, have been cleared by the Users Directorate and the Associated Finance at appropriate level from the necessity angle.
(b) Details of special items and basis of their cost estimate have been given adequately.
8. 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 AE's/ rough estimates) is the criteria for determining the CFA for sanctioning the work/project.
9. That the expected credits on account of retrieved material from demolition of buildings etc., if any, are properly accounted for in the AEs.
10. That the estimates have been scrutinized by the E-in-C's Branch and updated to the last quarter.
11. If accommodation for MES Key personnel is included in the works estimates then station-wise deficiency position should be indicated.

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.

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 is given.
3. 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-11.

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?

DOCUMENTS TO BE SUBMITTED WITH FC CASES

1. Complete tender documents including notice of tender.
2. Comparative Statement of tenders.
3. Financial Statement to show the amount available, details of DCS and details of items to be issued free for fixing.
4. Statement showing financial position of the whole project alongwith liabilities incurred against each item and amount required for the balance work yet to be contracted.
5. Statement of case for inclusion, of any item/items not covered in Administrative Approval.
6. Details of work duly signed by Accepting Officer.
7. Market Analysis.
8. Delay Report.
9. In case of married accommodation comparison of Plinth Area rates as given in the Administrative Approval and as included in the tender.
10. 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.
11. In case of furniture contracts, comparison of rates in Administrative Approval, tender and latest area rate list.
12. In case of water supply and external electrification, comparison of Administrative Approval rates with ED rates.

GENERAL DRAWBACKS OBSERVED IN

AE's/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 AE's 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 AE's 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 non placement of copies on file for verification of rates.
11. PA. 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 AE's are not approved by Fire Advisor, Min. of Defence.
13. Separate provision is made for soil investigations whereas 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 MES storage and office accommodation is being made in the AE's which is chargeable to Contingencies of projects.

SCHEDULE XVIII (Sl No. 1 & 2)

Purchase of Computer Systems, Provision of Network, etc.

Points to be seen-

- i) Whether AITBP is approved by Air Hqrs.
- ii) Whether items included in the present proposal form a part of prioritization plan.
- iii) Whether the SOC justifying the need for procurement, networking, etc has been submitted including the following aspects :
 - (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-se distance of nodes.
 - (g) Software required to be developed / procured / upgraded.
 - (h) Feasibility of buyback provisions.
 - (i) The requirement of system study and analysis through vendor for complex projects, if necessary.
 - (j) Requirement of training for users.
- iv) Whether the QRs have been approved by Air Hqrs to ensure standardization of the equipment across Air Force.
- v) Whether a consolidated proposal has been initiated by Command Hqrs taking into account IT projects relating to subordinate formations / units.
- vi) Whether in case of replacement purchase, life of the old equipment has expired.
- vii) Whether the recommendations of the BOO have been submitted condemning the existing equipment.
- viii) Whether in case of premature condemnation of existing equipment, reasons for the same have been given and case initiated for regularization of loss pertaining to residual life of the equipment.
- ix) Where the system to be procured is to be integrated with the existing system, compatibility aspect has been seen.

- x) Whether in case of networking projects, proposed networking architecture including inter section distance nodes are furnished.
- xi) Whether 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.
- xii) Whether procurement is proposed on DGS&D RC wherever in operation.
- xiii) Whether draft tender enquiry and vendor list are enclosed with the proposal.
- xiv) Whether vendor lists are classified separately for different services offered such as turnkey solutions, software development, consultancy, networking, system integration, etc.
- xv) Whether vendor lists are updated and enlarged periodically by interaction with Ministry of IT, Industry Organizations such as CIL, MAIT, NASSCOM, etc.
- xvi) Whether in case of proprietary items, PAC is enclosed signed by the authorized officer.

RFP

Points to be seen-

- i) Whether the bids are being asked in two parts i.e. techno-commercial and price bids.
- ii) Whether the payment terms are 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 (Stages / quantum of payment given in TE should be in accordance with SOP on the subject).
- iii) Whether all other standard terms and conditions are included in TE particularly AMC clause, uptime, upgradation of hardware / software, assurance of spares for the life of the equipment, training, installation and commissioning, etc.
- iv) Whether in case of development of software, the intellectual property rights will pass on to IAF after payment.
- v) Whether in the projects of complex nature / software development, there is a provision for presentation / briefing of the vendors in the TE so that the scope of the project is clear to them.

- vi) Whether specifications given in the SOR are in agreement with the specifications approved by Air Hqrs.

Expenditure angle sanction

Points to be seen-

- i) Whether all the standard points have been seen and verified.
- ii) Whether TEC recommendation is approved by the CFA.
- iii) Whether after technical evaluation of bids by TEC, a SOR for each of the bidders has been prepared to bring them at par.
- iv) Whether TEC has prepared the report in the standard format and all the columns of the report have been filled in.
- v) Whether in case of a single technically acceptable offer, retendering has been recommended by making QRs more broad-based.
- vi) Whether the LPP and last supplier have been mentioned in the CST.
- vii) Whether all taxes, discounts, etc have been taken into account for determining L1.
- viii) Whether there is a provision for change in technical specifications in the draft supply order. The change could be due to upgradation of technical specifications by the OEM from the equipment ordered, change in technical specifications of items in general as per industry standards or discontinuance of the model ordered by the OEM.

SCHEDULE XVIII (Item No.3 & 4)

Purchase of Systems/Application Software, Software Development and Technical Consultancy for IT Projects & IT Training

AON

Points to be seen-

- i) Whether SOC has been prepared explaining in detail necessity for such procurement.
- ii) Whether in case of IT training, it has been clearly brought out in the SOC that training cannot be arranged in-house due to lack of expertise.
- iii) Whether the competence and credibility of outside agencies has been verified by an independent agency and their past experience in imparting training verified.
- iv) Whether training proposed is such as could not be imparted by the supplier while supplying new hardware / software systems.
- v) Whether while considering outsourcing of training, all options such as arranging training at the vendor's location on vendor's equipment, arranging training at the user's location but on the vendor's equipment and arranging training at the user's location on the user's equipment have been considered.
- vi) Whether the consultancy project is such as cannot be executed in-house by IAF.
- vii) Whether it has been confirmed in the SOC that all avenues have been exhausted by IAF including development of similar software by any other Commands either in-house or through an outside agency.
- viii) Whether the proposal has been vetted and recommended by technical specialist.

RFP

Points to be seen :

- i) Whether in case of software development, stage payments are provided for at stages such as acceptance of SRS, System Design Documents (SDD), testing, etc.
- ii) Whether the vendor has been made responsible for rectifying the deficiencies in software as per users' requirement.

- iii) Whether the responsibility of the vendor has been clearly specified in case of software development during trial run and parallel run stages.
- iv) Whether all the proprietary rights (including source code) will pass on to the IAF on payment and further modification of software, if any, could be done by IAF on its own.
- v) Whether there is a provision for Performance bank guarantee for successful implementation of software projects.
- vi) Whether sufficient number of back up copies will be provided by the bidder as per TE.
- vii) Whether a clause regarding upgradation of software in future by the vendor who develops the software is included in TE.

SCHEDULE XVIII (Item No.5)

Computer Peripherals & Ancillaries

AON

Points to be seen-

- i) Whether SOC contains full justification for procurement of computer peripherals and ancillaries.
- ii) Whether need for purchase has arisen due to existing computer peripherals and ancillaries having become Cat 'E' or due to non-availability of spares / consumables. If so the date of purchase of these items and expenditure incurred on repairs be verified.
- iii) Whether BOO proceedings are there condemning existing computer peripherals and ancillaries in case of replacement items.
- iv) Whether the proposal for purchase is for additional requirement to meet assigned tasks.
- v) Whether the quantum / volume projected for procurement has been justified adequately by the users and technically qualified functionaries who are in charge of such assessment.
- vi) Whether the items are under AMC and OEM has given a certificate of unserviceability / obsolescence.
- vii) Whether the items proposed for purchase are authorized for use as per the SOP.

SCHEDULE XVIII (Item No.6)

Computer Stationery & Consumables

AON

Points to be seen-

- i) Whether SOC justifying requirement has been submitted.
- ii) Whether 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 thereof should be there.
- iii) Whether details of computers likely to be added or likely to become obsolete have been given while justifying the quantity of consumables to be purchased.
- iv) Whether the requirement of computer stationery and consumables for various units / formations has been consolidated at the respective CFA level and by Directorate of IT at Air Hqrs for Air Hqrs and Units directly under Air Hqrs at New Delhi.
- v) Whether the stock levels of computer stationery and consumables do not exceed four months' requirement and do not fall below three months' requirement.
- vi) Whether these items are being purchased from IT Code head only except in case of computer systems procured as embedded systems.
- vii) Whether items are available on DGS&D RC. If so, direct orders could be placed.

SCHEDULE XVIII (B1 to B3)

Repair and Maintenance of Computer Systems

AON

Points to be seen-

- I. Whether requirement for upgrade, repair and maintenance of computers and peripherals for various units has been consolidated at the CFA level.
- II. Whether computer spares stocking level is not more than 4 months' requirement and not less than 3 months' requirement. A certificate to this effect will be obtained from the authorized officer.
- III. Whether the maintenance expenditure on computer systems procured as embedded systems is being met from the code head under which their vocab section falls and not under the IT head.
- IV. Whether there is a possibility of bringing the items of similar nature under an ongoing AMC on pro rata basis and whether it will be more cost effective.
- V. Whether AMC is being proposed only for serviceable equipment having sufficient residual life.

SCHEDULE XIX (Item No. 1 & 2)

Special Financial Powers under the Head 'Telephones'

AON Angle

The following points be seen-

- i) Whether specifications of the equipment have been approved by Air Hqrs with a view to ensuring standardization across the Air Force.
- ii) Whether the SOC brings out full justification for purchase / repair, etc including the following:
 - (a) Existing arrangement.
 - (b) Existing resources and their usage.
 - (c) Proposed system including upgradation if any required, with broad system architecture and justification.
 - (d) Outputs desired from the system.
 - (e) Benefits likely to accrue.
 - (f) Requirement of training users, if any, should be clearly specified.
 - (g) Comparative statement of rates of similar items at station/nearby stations/BSNL/MTNL.
 - (h) Financial effect.
 - (i) Code head and availability of funds.
- iii) Whether draft TE giving all QRs and / or Operational requirements and draft contract agreement is submitted with the SOC.
- iv) Whether in case of purchase of a new exchange / replacement of existing exchange, authorized capacity of exchange is as per Policy Page of the Unit / Establishment. (A photocopy of Policy page be got submitted along with the SOC).
- v) Whether the proposal is for wiring the exchange for 150 % of capacity authorized catering for future expansion and reserve in accordance with the SOP on the subject.
- vi) Whether in case of replacement, date of installation of existing EPABX and present serviceability state is mentioned.
- vii) Whether in cases when the existing system is recommended for replacement prior to completing 8 years of life (two years

- warranty + six years comprehensive AMC), detailed justification has been given.
- viii) Whether the unserviceability of the existing EPABX has been certified by the OEM.
 - ix) Whether BOO proceedings have been submitted for condemnation / BER of the existing exchange.
 - x) Whether recommendation has been made for utilization / disposal of old exchange.
 - xi) Whether the number of Push Button Telephones / Plan Telephone instruments required have been worked out taking into account the available serviceable instruments.
 - xii) Whether the number of Digital telephone instruments proposed is within 5% of the authorized exchange capacity with a minimum of five.
 - xiii) Whether utilization of digital telephone instruments has been clearly brought out.
 - xiv) Whether the requirement of CVT, FCBC and Batteries has been worked out taking into account the serviceability of existing items. (The date on which these items were last purchased may be insisted upon).
 - xv) Whether the number of Operator consoles projected is as per scale i.e. One console per 50 lines with minimum of two consoles.
 - xvi) Whether the number of authorized civil junctions indicating requirement of DID / DOD facilities is indicated.
 - xvii) Whether the proposed system is compatible with the system with which integration, if any, is envisaged.
 - xviii) Whether in case of SOC for repair of exchange, it has been verified that the exchange is not within the warranty period / AMC and in case of unsatisfactory services by the service provider, their performance bank guarantee has been encashed.
 - xix) Whether in SOC for repairs, the vintage of the exchange has been checked and the report of BOO regarding serviceability of the exchange has been seen.
 - xx) Whether in case of replacement of UG Cables, it has been seen that it has outlived its life (25 years) and has been adjudged as unserviceable by a BOO.

- xxi) Whether it is ensured that the CFA is determined taking into account the cost of UG Cable as well as exchange where new exchanges are to be installed.
- xxii) Whether cases involving AON for procurement of accessories such as telephones, batteries, cards, etc give full justification for the procurement. In case cards are to be used for upgradation of the system, terms and conditions of AMC be cross-checked to ensure that their provision is not covered under the AMC.

RFP vetting

- i) Whether all standard terms and conditions especially conditions relating to AMC, Option clause, assurance of spares for the life of the equipment, upgradation, uptime, training, installation and commissioning, etc have been included in the TE.
- ii) Whether the vendor list consists of 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 as far as possible.
- iii) Whether DGS&D RC exists for the item. If so, procurement could be made on DGS&D RC.
- iv) In case DGS&D RC has recently expired but is likely to be renewed, a Fall Clause be got included in the TE stating that in case the Contract is concluded with DGS&D at a lower rate than the one quoted in the TE, the supplier will refund the difference to the purchaser.
- v) Whether payments are 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, training, etc. The payment terms should be in accordance with the terms given in the SOP.
- vi) Whether technical specifications are broad-based so as to generate healthy competition.
- vii) Whether while calling for bids, no specific brand is mentioned in the TE.
- viii) Whether two part bid system is being followed.
- ix) Whether for replacement of an existing exchange, buy back cost has been called for from the prospective bidders.

Expenditure angle sanction

Points to be seen -

- i) Whether the rates quoted are comparable with the rates of similar / same items purchased recently at nearby stations.
- ii) Whether after technical evaluation but before opening of commercial bids BOM(Bill of Material) has been worked out separately in case of each of the bidders to ensure level playing field.
- iii) Whether the bidders whose commercial bids were opened comply with major commercial conditions such as provision of AMC at the prescribed rate of 5%, warranty for two years, assurance of spares for the life of the equipment, software / hardware upgrades, uptime, training, etc.
- iv) In case the proposed amount exceeds AON amount substantially, reasons for the same may be called for.
- v) Whether all clauses of the TE have been included in the Draft Supply Order.

SCHEDULE XIX (Item No. 3)

**Up gradation / modification of Telecommunication eqpt / Software +
Training of personnel on associated equipment.**

- i) Whether the clauses regarding upgradation / modification and training were a part of the original contract concluded with the supplier.
- ii) Whether any justification for upgradation / modification has been given in the SOC.
- iii) Whether the date of purchase of the equipment to be modified and its remaining life has been indicated.
- iv) Whether a cost benefit analysis has been made taking into account the cost of new upgraded equipment vis-à-vis the cost of upgradation of the old equipment.
- v) Whether after modification / upgradation, the equipment / software will be compatible with other equipments / software.
- vi) Whether modification / upgradation is proposed from the OEM / his authorised dealer.
- vii) Whether modification / upgradation would entail training to the staff handling the equipment / software. If so, whether provision of training preferably in situ has been made.

SCHEDULE XIX (Item No. 4)

LP of Spares

Points to be seen :

- i) Whether there is an AMC in operation for the exchange for which spares are proposed to be purchased. If so, whether the provisions of AMC have been verified to ensure that supply of spares is not covered under the AMC.
- ii) Whether the Non Availability Certificate for spares from the stockholding unit has been received.
- iii) Whether the spares proposed to be purchased are minimum inescapable requirement and are to be immediately used.
- iv) Whether the contractual obligation of equipment supplier and period of such obligations has been seen.
- v) Whether repairs will be carried out in-house and there is sufficient expertise to do the same or they will be outsourced.
- vi) Whether proper procedure for local purchase has been followed.
- vii) Whether there is a need to modify the clauses of AMC so as to include supply of spares also if not already provided for.
- viii) Whether the purchase is made from the authorized dealers of OEM.

SCHEDULE XIX (Item No. 5)

Annual maintenance contract

Points to be seen :

- i) Whether at the time of entering into contract for supply of equipment, AMC clause was included in that.
- ii) Whether the AMC does not exceed 5 % of the equipment cost for entire life of the equipment.
- iii) Whether during the warranty period / extended warranty, no AMC is operational.
- iv) Whether the AMC is comprehensive enough to include cost of replacement of any part and move of engineers / technicians of the supplier.
- v) Whether in the AMC, maximum downtime of equipment has been specified and maximum response time in case of call for repair of equipment has been spelt out and adequate penalty / liquidated damages for failure to adhere to the timeframe have been prescribed.
- vi) Whether AMC provides for stocking of adequate quantity of spares by the supplier during the entire AMC period.
- vii) Whether the cost of removal of the equipment to the supplier's premises in case of major repairs will be to the supplier's account.
- viii) Whether there is a provision for preventive maintenance in AMC specifying periodical checking / servicing of the equipment.
- ix) Whether no advance payment provision is there in the contract. In case advance payment is unavoidable, an amount equal to a maximum of six months' charges is to be paid in advance against a Bank guarantee / Security deposit.
- x) Whether Performance bank guarantee of at least 5 % has been obtained from the supplier on a scheduled bank for ensuring satisfactory services during the AMC period (PBG should be valid for a period of 14 months for a 12 month AMC period).
- xi) Whether the AMC is being concluded as far as possible with the OEM / his authorized dealer.

- xii) Whether the AMC is proposed to be executed prior to completion of warranty period, as per terms and conditions already negotiated at the time of original TPC / PNC so that it comes into force immediately after the warranty period is over.
- xiii) Whether AMC is being entered into only for serviceable equipment having sufficient residual life during the period of the contract.
- xiv) Whether in case additional items are proposed to be covered under the AMC, charges paid have been worked out on pro rata basis.
- xv) Whether AMC is concluded for only one year at a time and renewed on annual basis before the expiry of warranty period / an on-going AMC as the case may be.
- xvi) Whether in case of a crash of the system, AMC holder has been entrusted with the responsibility of reloading the application software and recreating the operating environment including the databases.

SCHEDULE XIX (ITEM NO 6)

Renting of Circuits

1. They can be hired from BSNL/MTNL/Private service providers depending on technical feasibility.
2. A SOC giving detailed justification is to be looked for for AON concurrence.
3. In case of hiring of circuits for exercise, operation, disaster management, etc. unit/Command can hire from BSNL/MTNL after sanction by CFA in consultation with IFA. This will be for one year only. For requirement exceeding one year, fresh sanction will be required.
4. All standard points relating to AON/EAS will be seen.

SCHEDULE XXI (A to C)

Points to be seen

1. These powers of LP in respect of medical stores are to be exercised for expendable/ non-expendable PVMS and NIV medical stores.
2. In case of expendable medical stores, for emergency purchases, it may be seen that PVMS items in an emergency and non PVSM items considered absolutely essential for the treatment of patients only are purchased.
3. A BOO has to estimate requirements of expendable medical stores for the full financial year.
4. Mode of tendering and availability of funds must be reflected in SOC.
5. For emergency purchases, annual rate contract will be concluded taking into account the maximum discount given on MRP by various suppliers.
6. In case of annual rate contracts, CFA is to be determined based on the estimated annual requirements for the year.
7. For bulk purchase, standard LP procedure will be followed after taking NAC from AFMSD.
8. Performance parameters and qualifying criteria such as annual turn over for 3 years, market standing certificate, sales tax clearance certificate etc. have to be seen.
9. For procurement of non expendable medical stores, the following requirements may be seen:-
 - i. SOC with QRs
 - ii. Indent marked NA by AFMSD
 - iii. A certificate by Commandant/OC Hospital/SMO/Specialist that the stores are urgently required for the smooth functioning of unit/hospital.
 - iv. Draft Tender Enquiry
 - v. List of vendors
 - vi. PAC if applicable duly countersigned by SMO/OC
 - vii. Budget availability certificate

Note: For dealing with the cases under Schedule XXII(D to F) please refer to the checklist for Schedule IV & V.