

Reading Material On IFA System

Air Force



Volume Five

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Origin and evolution of IFA System – Air Force

The close association of IFA with the formulation and implementation of all proposals involving expenditure has no doubt facilitated more effective and optimized utilization of resources.

The IFA system was introduced in the Air Headquarters in the year 1994 with effect from 4th April 1994. 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. Under the scheme, a dedicated Integrated Financial Advisor's office was created in the Air Headquarters.

Subsequently, on decentralization of procurement of stores, & equipment under revenue heads and delegation of enhanced financial powers to the Commands and Equipment Depots & Base Repair Depots (EDs/BRDs), the JCDA (AF) Nagpur was created to extend audit, accounting and finance coverage to the MC, TC, and SAC.

To cope up with the increasing workload and to enable the Maintenance Command and Depots to exercise the financial powers delegated to them, a full-fledged IFA in the Senior Administrative Grade was posted in January 2004 at HQ MC and IFAs in the Time Scale have been posted in most of the major EDs and BRDs.

ROLE OF IFA:

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.
- 5) Critical performance appraisal of projects/schemes in financial and physical terms.

Decentralization:

Govt. of India vide their letter No. Air HQ/0111279/33335/4/LR/1215/ DO-II/D(AIR-I), dated 26/9/95 has 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 LLB check

- 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 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 a major factor 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 by Air Force quality assurance;
- 11) The delegated powers are under revenue head only.
- 12) The delegated financial powers will be exercised in consultation with the integrated financial adviser.

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

IIInd 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

3rd Phase (01/01/2004)

System ranges

4th Phase (01/05/2004)

MIG-29

5th Phase (01/01/2005)

MIG-27

6th Phase (01/04/2005)

MIG – 21

JAGUAR

AVRO

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 command and ED/BRDs 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 various functions of IFA are as follows: -

Acceptance of necessity,

- ✓ Vetting of Quantity
- ✓ Vetting of estimated Cost

Mode of tendering,

Selection of vendors/sources,

Vetting of draft tenders,

Vetting of CST,

Participation in TPC/PNC

Vetting of draft supply order

Post-contractual matters

Scrutiny and concurrence of disposal of surplus stores, losses etc.,

To examine & concur works cases from acceptance of necessity angle.

Scrutiny / concur work cases for issue of administrative approval.
Scrutiny and concurrence of proposals for conclusion of Annual Rate
Contracts for Hiring of Civil Transport.

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Provisioning in Air Force

INTRODUCTION

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 utilization. In view of the location of AF Wings/Units across the length and breadth of the country and centralized 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 make the task of provisioning a challenging one.

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.

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.

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

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

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.

PROGRAMME REQUIREMENTS:

Programme requirements consist of known future commitments of non-recurring nature. Viz. initial equipment for new Units, Squadron, arming etc.

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.

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 determine 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.

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.

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 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.

“LIFE OF TYPE” REVIEW:

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

DISPOSAL REVIEW:

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

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

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:

CAR = (Total recurring consumption during the past twelve months) + (recurring outstanding dues out) – (Recurring dues-out at the beginning of the twelve months period).

Depending on the maximum potential establishment of an item, average of specified number years of CAR is taken as base for working out the future requirement.

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.

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.

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 after it is approved by the Government. 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.

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

FF for 3rd and 4th line spares is calculated on the basis of ratio of task achieved and task planned.

Forecast Factors are issued once in every six months on 1st January and 1st July.

MAXIMUM POTENTIAL ESTABLISHMENT (MPE):

It is the level up to which various types of stores/equipments are authorized 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. This also consists of administrative lead time and supply period.

MPE is laid down for various ranges of equipment in Appendix to leaflet-1 of IAP-1541. MPE is 36 months for non-perishable indigenous Class 'A', 'B' & 'C' stores. MPE is 60 months for imported non-perishable stores of class 'A'. MPE for dry batteries is 9 months.

REVIEW ACTION FIGURE (RAF):

It refers to a pre-determined stock level expressed in terms of so many months requirements. When the depot stock of an item reaches this level a special review is undertaken and supplementary Indent placed if required. 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.

SHORT STOCK FIGURE (SSF):

A pre-determined stock level on reaching which dues-in are hastened and further issues from stock-holding depots are controlled by the provisioning authority, except against AOG/IOB demands and all priority demands for indigenous items. Issue below SSF is also authorized against demand of ASP's but restricted to 50% of available depot stock. This is provided in Appendix to Leaflet no.5 of IAP 1541.

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.

PROVISIONING PROCESS

Responsibility for Provisioning:

Till recently the responsibility for provisioning of 1st and 2nd line spares was vested with Air HQs 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 remained with BRDs. For centralized ranges, HQ MC carries out provisioning review and forwards to Air HQ for de-centralised ranges, HQ MC carries out provisioning review and raises indents with approval of IFA/CFA. Procurement action of items ex-abroad is carried out by Air HQs for all ranges.

The system of provisioning should be designed in such a way 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.

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:

$$\text{a) Scaled items} = \frac{\text{Strength of Airmen X entitlement X MPE}}{\text{Life of item}}$$

$$\text{b) Non-scaled items} = \text{Avg. consumption X MPE}$$

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. Then 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.

Definition of Indent:

Indent is defined as a formal order prepared on prescribed forms, for supply of equipments, placed on Procurement/Supply agency. This terms 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.,

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 CFA and IFA.

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

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.

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 authorizing procurement of equipment

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

- i. HQ MC (Purchase Cell) - Estimated cost more than Rs.1crore
- ii. ED/BRD – Estimated cost upto Rs.1 Crore
- iii. M/s HAL – RMSOs/LRMSOs
- iv. Air HQrs – Procurement Ex-abroad.
- v. DGOEF – For items supplied by DGOEF.

Documents to be submitted along with draft Indent for vetting of 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 authorized officer
- l) If it is first time procurement, SOC furnished. with full justification.

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.
- IV. **Purchase preference:** purchase preference should be given to PSU depending on the monetary value of the indent
- V. If an Indent of the item is outstanding, details thereof should also be mentioned.
- VI. **Mode of Tendering:** Mode of tendering, such as OTE, LTE, STE and PAC should invariably be indicated in the Indents.
- VII. **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.
- VIII. **Budgetary provision:** Availability of funds to meet the proposed expenditure is to be certified and commitment thereof is to be noted.
- IX. **Authority for raising Indent:** The Specific authority or Government letter under which powers have been delegated should be clearly mentioned in the Indents.

- X. **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 that in Indents that deliveries earlier than dates specified will not be accepted. While tendering this delivery date will be taken into account.
- IX. **Urgency Certificate:** Priority Indent should be used sparingly and that too only for operational requirements like AOG, IOR and urgent requirement like URR, USR.
- X. **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.
- XI. 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.
- XII. **Net Requirement:**
- a. Arithmetical correctness is to be checked
 - b. Quantities of PR and SOR statement are similar, in case reduction of quantities in SOR reasons thereof are recorded.
 - c. PR/SR have been technically vetted. Net requirement is worked out using the correct formula, since different formulas are used to arrive at net requirement.
- XIII. **Escalation of Last Paid Rates:** While preparing estimated cost, last paid rates should not be increased by percentage. While preparing estimated cost, last paid rates should not be older than three. No escalation in LPP is to be allowed. For realistic pricing of Indents budgetary quotations may be obtained.

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

Reduction/Cancellation of Indents with concurrence of IFA

If provisioning review reveals that assets, i.e. stock plus, due-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.

Checklist: 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. M.P.E. for non-perishable indigenous A and B class stores, for instance, is 24 months and for class C items is 30 months. Similarly it is to be ensured that S.S.F. and R.A.F. figures have been worked out correctly.
- 3) It is also to be ensured that Current Annual Rate (C.A.R.) and forecasting factor (F.F) have been correctly accounted for.
- 4) 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.
- 5) 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.
- 6) It is also to be ensured that sources from which items are proposed to be procured VIZ DGOF, HAL etc are to be vetted.
- 7) 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.
- 8) 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.
- 9) It is to be further ensured that head of account has been correctly indicated and budgetary provision has been made.
- 10) In case of RMSO orders for HAL, it is to be ensured that quoted rates are as per their printed price catalogue. In cases where prices are

- escalated without giving adequate satisfaction, PNC including a finance member may be conducted with m/s HAL.
- 11) 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.
 - 12) Where price list 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.
 - 13) In case of indents for imported items, it is to be confirmed that the items are not available from indigenous source.
 - 14) The authority under which the indent is raised is to be verified with reference to specific govt. order or authority, which is to be invariably quoted in the indent.
 - 15) .It is to be ensured that items proposed to be procured are of **revenue in nature**.
 - 16) Whenever financial concurrence is accorded to any indents, it is to be ensured that FC number and date are to be invariably indicated in the indent.
 - 17) All amendments, cancellation of indents is to be concurred by the IFA.
 - 18) After opening of tenders, the estimated cost of indent should not be increased, unless there are adequate reasons.
 - 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

Procurement Procedure, Standard Terms & Conditions of Contract/ Supply Orders, Post Contract Management

Procurement procedure comprises of 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.

Types of Tender Enquiry

Open Tender Enquiry:

This system is generally followed where estimated cost of demand is Rs.2 lakhs and above. For purchase of value of Rs.2 lakhs and above, but less than Rs.5 lakhs, TE is issued in a form of classified advertisement in local Newspapers. For purchases of Rs.5 lakhs and above, invitation of tenders is advertised in the National dailies and Indian Trade Journal. (Rule 102 (1) of GFR). In 2006, ceiling for the open tender enquiry has now been revised to Rs 25 lakhs.

Limited Tender Enquiry

LTE is issued with approval of the Chairman of the TPC and IFA therein. This system is generally adopted when the estimated cost is less than Rs.2 lakhs (revised to Rs 25 lakhs in 2005). LTE should be issued to all registered, established and known suppliers who have been quoting in last two or three years.

However, this may be adopted if estimated cost is more than 25 lakhs under 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 and concurred by IFA.
- c. When the sources of supply are definitely known and possibility of fresh source is remote.

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.

Reasonable Tendering Time:

Time to be allowed for submission of tenders 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)

Single Tender Enquiry:

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.

Issue of STE and LTE with concurrence of IFA:

Single Tender Enquiry and Limited Tender Enquiry are to be issued with the approval of chairman and member (Fin) of TPC. There is no gainsaying of the fact that competition is limited to 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.

Nature of Tender Enquiry:

There are two systems of Tender Enquiry.

1. **Single Bid System:** In case of store 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. 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.

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.

IFA should be involved in TEC to evaluate the commercial points of offer, such as payment terms, delivery Schedules and terms of delivery etc.

Check List For Vetting Draft Tender Enquiry,

- A) Standard / correct forms are used for tender enquiry and all amendments authorised to these forms from time to time are carried out before Issue.
- B) Time and date for receipt and opening of tenders are clearly indicated as per the guidelines.
- C) The prescribed time been allowed to the tenderer to submit their quotations, depending on the type of enquiry being issued. (Not less than eight weeks for Global tenders, not less than 6 weeks for advertised tenders and not less than 4 weeks for limited tenders as per DGS & D Manual).
- D) The period for which the tenders are to be kept open for acceptance has been indicated realistically keeping in view the nature of the store and the time lag likely to be involved where consultation with the Indenter on the suitability of offers received would become necessary.
- E) The amount to be furnished by unregistered firms as EMD has been calculated correctly and indicated. EMD amount should not be indicated in percentage.
- F) Description of stores including specifications / drawings is correctly indicated in the schedule.
- G) If the store required is of non-standard specifications / drawing, required number of copies of drawings / specifications are made available.
- H) Where tender sample is required to be furnished, authority to whom it should be sent for testing and the time within which the sample should be submitted for inspection are to be indicated correctly in the enquiry. Delivery period will include invariably time required for sample inspection.
- I) Inspecting authority is correctly indicated.
- J) The instructions to invitation to tender and conditions of contract applicable have been correctly indicated in the enquiry.
- K) The appropriate price variation clauses where such a provision is necessary, has been given in enquiry along with base price on which firms should offer their prices. However, price variation clause is not applicable to fixed cost contracts.
- L) Delivery required is correctly given. Where purchase of large quantities of stores are involved, delivery may be specified in installments, depending on staggered requirements of indenter.
- M) Standard LD clause is to be incorporated.

- N) Insertion of clauses for cancellation of contract and for Risk and Cost purchase is to be ensured.
- O) 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. (FAS: Free along side ship when a contract is arranged on FAS basis the contractor is understood to undertake to deliver the goods alongside the ship at his own expenses]
- P) Period of validity of performance guarantee to cover warranty period is also to be indicated in respect of Plant and Machinery and specialized items.
- Q) Standard Payment terms are suitably indicated along with paying authority.
- R) Security deposit and various forms in which SD is to be submitted are to be indicated clearly. In respect of firms registered with DGS&D, NSIC under single point registration and SSI are exempted from furnishing security deposit this may clearly be indicated.
- S) Sole arbitration clause is to be suitably indicated in TE.

SOME OF THE STANDARD TERMS & CONDITION OF TE/SO

1. Inspection Authority
2. Inspection Officer
3. Inspection Procedure
4. Testing Facilities
5. Sampling Procedure
6. Place Of Inspection
7. Identification And Packing Instruction
8. Mode Of Despatch
9. Despatch Instruction
10. Terms Of Delivery
11. Delivery Schedule
12. Force Majure (will not form part of TE , to be incorporated in S.O if requested by the firm)
13. Consignee
14. Risk Of Loss Or Damage To Govt. Property
15. Security Deposit
16. Performance Bank Guarantee
17. Failure And Termination
18. Liquidated Damages
19. Option Clause
20. Paying Authority
21. Paying Officer
22. Head Of Account
23. Terms Of Payment
24. Transit Insurance
25. Rectification Of Defects
26. Warranty / Guarantee

27. Withholding And Lien In Respect Of Sum Claimed
28. Lien In Respect Of Claims In Other Contract
29. Arbitration
30. Laws Governing The Contract.
31. Jurisdiction Of Court
32. Secrecy Of Information
33. Book Examination Clause
34. Fall Clause (Applicable In Rate Contract Only)

Participation in Tender opening:

1. A Tender box is kept locked and sealed for depositing the tenders. The keys are handed over to Board of Officers detailed for opening.
2. Tenders are received by Post/Courier or by hand are dropped in the Tender box before stipulated time and date.
3. 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. Late and delayed tenders are not considered. (Para 38 of Annexure under Rule 102 of G.F.R.
4. Tenders by FAX and telegrams are not accepted. However, in exceptional circumstances, Tenders sent by FAX can be accepted, provided the same is complete in all respects, such as specifications, rates etc and is followed by a regular tender within 3 days from the date of opening of tenders with the concurrence of IFA.
5. The tenders are opened at specified time and date in TE in the presence of authorized representatives of firms.
6. IF as representative is a member of the board of Officers for opening of tenders.
7. Each tender is serially numbered and signed by all members on quotations as well as covers.
8. The rate taxes and duties, payment terms, delivery period etc., are to be rounded off by tender opening officers and initial the tender. Preferably using red ink pen.

Vetting of CST:

After opening of tenders, CST is to be prepared by Purchase Officer/Executive authorities. Thereafter CST is submitted to CDA/IFA for vetting. CST is required to be vetted by IFA to ensure that rates, taxes, duties, packing, forwarding, freight charges and other terms and conditions are properly accounted for in the CST and ranking has been done properly. CST is vetted by IFA with regard to original quotations/tenders. (MOD letter No. 6(3)/98/D (O-1) dt.04/02/2000 (Annexure V)).

Comparative Statement:

After the tenders have been opened and made over to the Purchase Officer, he will prepare Comparative Statement. All the necessary details concerning the offers, such as rates, make, delivery, quantity offered together with any other information relevant to the decision of the tender should be extracted and neatly entered in the Comparative Statement. The status of the firm(s) whether registered or unregistered whether SSI Unit/Public Sector Undertaking shall be boldly indicated. The LPP (Last purchase Price) must be given in the appropriate column of the statement.

Ranking Statement:

In addition to the comparative statement, a comprehensive ranking statement will be prepared in ascending order of the prices quoted, in all cases where more than three offers have been received. The ranking statement will be prepared after compiling prices on equitable basis taking the incidence of all elements of price such as Excise Duty/Customs Duty, Sales Tax, Freight, transit Insurance etc., up to destination. The proforma of the ranking statement is given below.

- a) Name of the firm
- b) Reg.details/ML/Validity
- c) Basic Price per unit
- d) Excise Duty
- e) Sales Tax
- f) Total price
- g) Remarks
 - i. Price firm or variable
 - ii. Terms of Delivery
 - iii. Delivery offered
 - iv. Whether the stores offered conform to the required specifications / drawings
 - v. Offer validity

If a tenderer is exempted from payment of Excise Duty up to any value of supplies, or is entitled to concessional rate/quantum of Excise Duty and has not stated that no ED will be charged by him up to the limit of exemption and has not indicated the concessional rate/quantum of ED leviable in respect of the tendered supplies but has made stipulations like Excise Duty was presently not applicable, but the same will be charged, if it becomes leviable later on the quoted price, shall be loaded with quantum of ED which is normally applicable on the item in question for the purposes of comparing its price with other tenders (Para 9.2.4 of DGS & D Manual).

Check list: - Scrutiny of CST

- a. Rates, taxes and Duties, discount, make, delivery Period, Quantity etc. are extracted correctly from the original Quotation and entered neatly in the CST.
- b. The last purchase price should be clearly indicated in the CST.
- c. The estimated price / assessed price in the absence of LPP should be indicated in the CST.
- d. The status of the firm whether registered or unregistered whether SSI, PSU should be indicated.
- e. Late tenders and delayed tenders are clearly indicated.
- f. Unsolicited offers are not included in the CST.
- g. Delivery period and validity of offer should be clearly indicated.
- h. The CST has been signed by the authorized officer.
- i. If any of the standard clauses is not acceptable to the firm it should be clearly included in the CST.
- j. Whether the firm is holding DGS&D rate contract or not should be indicated in the CST.

Check list: - Participation in TPC /PNC

- 1) The constitution of TPC is in order, depending upon financial powers delegated.
- 2) 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. Opening officers have initialed all amendments/corrections of Tenders with date.
- 4) C.S.T. has been prepared properly taking into account amongst other things, taxes/duties, transportation, 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 L1 has been called for negotiations, as per vetted C.S.T. 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, financial and commercial status, past performance and load factors are to be examined.

- 10) In case of LTE, adequate reasons have been recorded before issue. In case of proprietary items, it is to be ensured that prior concurrence of IFA has been obtained.
- 11) Whether there is inadequate competition, particularly where less than three technically acceptable quotations have been received? If so, adequate reasons are to be recorded.
- 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 rates are on the higher side, in consultation with IFA.
- 13) Reasonability of rates is to be examined with regard to.
 - a. Vetted estimated cost
 - b. L.P.R
 - c. Where last paid rates are not available, assessed cost by specialist Officers
 - d. Cost break-up of the firm.
14. In case of Plant and Machinery, all these factors viz. two years Maintenance spares, AMC, Guarantee/warranty clause, Inspection clause, after-sales service, Performance Guarantee for warranty period, are to be negotiated.

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.

Check list:- Vetting Of Draft Supply Order

1. Payment Terms: Paying authority and payment terms are incorporated in contract as per guidelines of MOD.
 Payment terms vary depending on nature of items.
 100% payment against receipt of stores by consignee in acceptable condition.
 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 despatch.

 80% payment against receipt of Plant and Machinery in acceptable condition by consignee. 10% payment after successful erection, final 10% payment after successful commissioning against 10% performance bank guarantee, from any Nationalized bank to be kept valid till expiry of warranty period.
2. 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.

3. Status of excise duty is clearly specified in the supply order.
4. The delivery period stipulated in the contract is in accordance with the delivery agreed to by the tenderer and as specified in TE.
5. The terms and conditions including special conditions stipulated in the contract are in conformity with the offer of the firms and variation, if any, has been mutually settled
6. Despatch and inspection instructions have been correctly incorporated Inspection agency is clearly indicated in Supply Order and a copy of the same is endorsed to them.
7. 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.)
8. Inspection authority and inspecting officer have been shown separately and correctly.
9. Heads of Accounts are indicated correctly.
10. The paying authority and paying officer are indicated correctly.
11. Ensure that the tendering firm has accepted the standard "sole arbitration clause"
12. Specifications given in the contract are in accordance with T.E. and accepted by the firm and are complete in all respects.
13. All relevant communications from the contractor leading to their agreement to the contract terms and conditions have been referred to in the contract.
14. If the firm is unregistered / untried, have they agreed to security deposit against the contract If so, has necessary provision been made?
15. Does the contract provide for submission of advance sample? If so, has a definite, reasonable and correct time limit has been laid down.
16. Has the Transit risk clause been correctly stipulated?
17. Whether the firm has asked for any assistance for clearing the raw materials and if so, has suitable provision been correctly incorporated making it clear whether it is a contractual obligation or otherwise
18. Has the firm agreed to placement of additional 25% quantity under option clause If so, has the purchaser's right to do so been reserved up to specified date
19. In case of Plants & Machinery, incorporate suitable provision agreed to by the firm regarding erection and commissioning after sales, warranty period, training of purchaser's personnel.
20. Specify clearly in the supply order documents required to be submitted along with contractor bills for payments viz.
 1. Original copy of Supply Order (Rule 43 of F.R. Part II)
 2. CRV in case of 100% payment,
 3. Inspection note,
 4. Guarantee/Warranty certificate,
 5. Excise Invoice,
 6. Freight receipts etc.
 7. Any other document required, Incase of prorated payments, Xerox copy of the Supply Order is to be submitted with each bill. While

claiming final payment, original Supply Order is to be submitted by the firm, which will be cancelled by Accounts Office after payment.

21. Incorporate necessary instructions regarding Military Credit Notes.
22. The stores should be suitably packed and reasonably secured against loss or damage in transit.
23. If materials are to be issued to contractor from Govt, suitable provision has been made as regards issue price, collateral security deposit and custody, accounting etc.
24. Ensure copies of the Supply Order has been endorsed to all concerned including inspectorate and Accounts Office
25. Whether the terms of delivery have been correctly specified?
26. Standard Liquidated Damage (L.D) clause has been suitably incorporated in contract.
27. F.C number and date, has been correctly and clearly indicated in the supply order.

ACCEPTANCE OF TENDER/ PLACEMENT OF SUPPLY ORDER

A tender, on acceptance becomes a contract .All contracts, agreements, understandings etc. Entered into by Air Force with commercial or non-government concerns will be recorded in writing and copies signed by both contracting parties are carefully maintained. (Rule 234 of F.R Part-I Vol-I)

A mere acknowledgement of receipt of Supply Order will not suffice as every Supply Order is a contract under Indian Contract Act 1872 and sales of Goods ACT 1930. (Para 2.19 of D.G.S&D manual). After finalization and acceptance of tender, Supply Order in duplicate; duly signed by contracting authority of Air Force on each page of the Supply Order, are to be sent to the firm/contractor. Contactor on signing each page of the contract, in token of its acceptance, will return one copy of the Supply Order to the contracting authority.

Post Contract Management

1. Delivery period extension, re-fixation (including force majeure)
2. Levy / waiver of LD
3. Changes in rate / taxes duties
4. Change of consignee
5. Accepting material with slight deviation
6. Option clause
7. Risk purchase
8. Forfeiture of security deposit
9. Short closure
10. Cancellation.

DELIVERY PERIOD EXTENSION WITH CONCURRENCE OF IFA

At the time of considering DP proposal, the status of the supply position and the Supply Order is reviewed keeping in view several factors *inter alia*

- 1) Whether User has suffered any actual or potential loss due to delay.
- 2) Requirement of the user being reviewed;
- 3) Whether there is downward trend in the prices
- 4) The liability of the state to pay additional taxes/duties/any levies during the proposed extension period;
- 5) Whether delay in supply has been willful or on the part of supplier.
- 6) Option of short closure of Supply Order;
- 7) Whether the contract is in the nature of development order.
- 8) Whether delay is caused by factors where the purchaser has any obligation such as providing import license, materials or facilities etc for production.
- 9) If the firm's request for DP extension is due to force majeure clause verify the original quotation of the firm to see whether request for force majeure clause is there.

Delivery period extension constitutes an important amendment to contract having definite financial and contractual ramifications. This is provided in rule 248 of FR Part I vol I which postulates that the concurrence of IFA/CDA will invariably be obtained before sanctioning any modification with LD or without LD. Inspection and receipt of materials by consignee should be carried out strictly in accordance with the terms of the contract. No inspection will be undertaken after expiry of delivery period unless the DP is formally extended.

OPTION CLAUSE

Where there is option clause in contract for ordering additional quantity, not exceeding 25% of the original quantity at the same rates, within the validity of the original contract. Ensure following conditions listed below.

- i. There is no downward trend in the prices of stores, as assessed obtaining budgetary quotations/surveying the market conditions.
- ii. There is urgency of the stores from the user.
- iii. Option clause is to be exercised as per original terms and conditions of the contract, during the currency of contract.
- iv. It is also to be ensured that original supply order has been placed on the basis of competitive bidding and rates accepted therein are very competitive and reasonable.
- v. It is also to be ensured that the value of original supply order and value of supply order proposed for additional 25% of the

original quality, falls with the financial powers of the original CFA.

RISK PURCHASE

Risk purchase order should be 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.

The risk purchase contract should be on the basis of same terms and conditions, especially specification, but need not conform to the same delivery period. No special assistance should be 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 that governing the old contract.

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. The defaulting firm should be 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.

After risk purchase is completed, the extra expenditure involved in risk purchase should be computed and notice for recovery in standard form served on the firm. Simultaneously, action should be taken to withhold payment to the firm to the extent of the Govt. Demand. In case, it becomes impossible to recover the amount in the normal course, the case should be examined in detail in consultation with the Min of Law as regards the advisability of referring it to Arbitration.

A register should be maintained to watch the progress of action as well as recovery against all risk purchase cases.

AMENDMENTS

Amendments short - closure and cancellations: -

All amendments, short closures and cancellation of the contracts should be processed by examining each proposal on its merit.

Amendments short - closure and cancellations:-

All amendments, short closure and cancellation of the contracts should also be undertaken with prior concurrence of IFA.

No contracts rates, once sanctioned, may be increased without the sanction of the authority next higher to the one which sanctioned the contract. In such cases, financial concurrence of IFA will invariably be obtained. (Rule 247 of FR part I vol I) This doesn't apply in cases of enhancement of contract rates due to increase in customs or excise duty or other statutory levies.

Hiring of Civil Transport

Rate contract for hiring of Vehicles

The normal tendering and contractual procedures are to be followed by the ED/BRDs for concluding Rate Contract for various destinations for which hiring of vehicles is generally required. All the standard terms and conditions of contract are included. The opening of tender enquiry, preparation of CST, comparison with last years rates, justification for increase in rates if any are done duly associating the IFA.

As per revised SOP Once Annual/Half yearly Rate Contract is concluded with the concurrence of command IFA and approval of CFA, the units will hire vehicle without reference to local IFA. Any hiring beyond the scope of approved rate contract in terms of number of trips would require the concurrence of IFA. In cases, where some destination/unit are not covered under Rate contract the normal tendering and contractual procedures are to be followed duly associating IFA.

DIRECT PURCHASE ORDER

Powers for DPO have been vested with VCAS / DCAS /AOM /AOC-in-C upto Rs.10 lakhs as per MOD letter no.10(3)/02/D/Air(II) dated 1st April 2002. These powers can be exercised only with the concurrence of IFA.

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.

After concurrence of IFA and CFA further procurement action is carried out by the Depot concerned duly associating the LAO(AF) in Tender Enquiry, selection of source, TPC etc.,

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 (Annexure IV), 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 exists with IAF.

Authorities competent to place RMSOs are mentioned in Schedule XII (A). Besides, financial powers up to Rs. 25 lakhs have been vested with AOCs of EDs/BRDs for placement of RMSO for decentralized and centralized ranges vide GOI No Air Hq/61279/35/4/LR/215/DO-II/D(Air-I) dt.26/09/1995 and Air Hq/61274/65/LR/D /Air-I/II/USD(Air-I) dated 4/1/2000 respectively.

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.

- RMSO is scrutinized by IFA to see that
- 2) It is prepared and placed as per leaflet 21 of IAP 1541.
 - 3) 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.
 - 4) 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

- 5) 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.
- 6) 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.
- 7) 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.
- 8) PR/SOR are technically vetted by technical officer
- 9) Any addition, alteration scoring has been attested by the authorized officer.
- 10) 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.

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.

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.

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.

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.

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

LRMSO

LRMSOs are local RMSOs placed by depot concerned, with concurrence of Dy.IFA concerned. In case 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 (Govt. of India letter dt: 4/1/00).

LOCAL PURCHASE CASES

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

- a) Contingent Expenditure
- b) Purchase of items authorized 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/ AirHQrs
- g) Development order,
- h) Local repair orders / works.

SCRUTINY

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

The items are authorized Air Force Equipment.

Items are urgently required.

Items are not available in unit.

Items cannot be obtained expeditiously from normal source of supply

Local purchase under Schedule VIII is resorted to in exceptional cases and not as a matter of routine.

Purchase is resorted to within the financial powers.

Quotations as required are called for.

If the items are required for stock purpose, then they are not to exceed three months requirements

Scale laid down is not exceeded.

Local purchase order has not been split up to avoid necessity of obtaining sanction from higher authority.

Where higher rates are accepted, reasons in detail to be given.

Sanction from higher authority is obtained where such sanction is required to be obtained whenever it exceeds the local commanders powers.

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

The Powers under Single tender with concurrence is Rs.80000/ only.

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, LAO / Dy.IFA, being the local representative of IFA, is to be involved/
- 7) 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.
- 8) 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.
- 9) 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

- 10) 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.

Concurrence For Disposal Of Surplus/Obsolete Stores/Scrap

Identification and declaration of surplus: Maintenance Cells in IAF units carry out disposal review and prepare Surplus Reports. The surplus reports are forwarded to technical team for technical scrutiny, re-utilization check and working out the final surplus. The reports are sent to CFAs for formation of Board of Officers in which LAO is a member for fixation of MRP.

Pricing of MRP: The pricing of the item is done as per percentages fixed in the GOI letter no.73(42)/2864/D (Disposals) dt 11/6/62.

Where priced Vocabulary Rates (PV Rate) of the items are available, the pricing is done as per following formula:

- i. Serviceable unused - 100%. of the PV Rate
- ii. Serviceable used -75%of the PV Rate
- iii. Repairable stores -50% of the PV Rate

Where neither the PV rates nor the book values are available, the current value of stores will be assessed by the stockholder in consultation with the Technical officer and the assessed value is arrived at by taking into account the present conditions of the stores and the current market rate of similar stores.

The formula for disposal of M.T. Vehicles and fixation of MRP is as under:

Class I (New)	- 100% of PV rate
Class I (2 nd Hand)	- 80% of PV rate
Class II	- 75% of PV rate
Class III	- 66 1/3% of PV rate
Class IV	- 60% of PV rate
Class V	- 50% of PV rate
Class VI	- 20% of PV rate

Fixation of MRP by Board of Officers:

The MRP will be fixed by the Local Board of Officers at the Units as per GOI letter No.21/7/98. The members of the Board of Officers are.

- a) Chief Logistic Officer / Senior Logistic Officer.
- b) Rep of Chief Engineering Officer.
- c) Rep of Senior Accounts Officer.
- d) Local Audit Officer [AF]

The criteria for fixing MRP as per GOI letter dated 21/7/98 are the following:

- a) Condition of stores/year of manufacture;
- b) Prevailing market rates as contained in the National Dailies,
- c) Book value of stores where applicable;
- d) Utility of stores as such or in a modified condition to civilian user;

- e) Value fetched by similar stores in past auction;
- f) Market intelligence to be provided by M/s MSTC in relation to the items covered by the agreement.

Disposal action by IAF:

All units can take final disposal action by local auction if the value of surplus stores is up to 50,000/- in a single transaction.

Beyond Rs. 50,000/- all CFAs have to carry out the disposal of surplus stores through MSTC.

The MRP approved by the CFAs, duly concurred by the IFA, is kept as sealed information with the OC and handed over to the Sale Supervising Officer during auction. The MRP will be sealed and kept with DMA at Air HQrs and at HQMC with AOLM.

Financial powers of OC of units/Sale Supervising Officers for accepting bids for disposal of salvage, scrap and other stores:

- i. The sale supervising officer can accept bids upto 10% below MRP.
- ii. OC unit can accept bids upto 30% below MRP.
- iii. OC units in consultation with LAO can accept bids between 30% to 50% below MRP.
- iv. Bids below 50% of MRP should not be accepted and should be referred back to BOO for re-fixation of MRP.

In case of Command HQrs

- a) Commands HQ can accept the bids up to 30% below MRP.
- b) In case the bids are below 30% to 50% of MRP, decision can be taken in consultation with IFA whether to accept or to go in for retender.
- c) Bids beyond 50% below MRP should not be accepted and should be referred back to BOO for fixation of fresh MRP, in which LAO is a member.

Scrutiny of Civil Work case

Check whether Board Proceeding in terms of necessity/requirement of the proposed works i.e. building work (OTM/married) and external work placed on file.

The proposed work is included in the CWP approved by MOD.

Necessary Justification for the proposed work is given.

Justification for special items given.

Justification for external service like roads and paths, external electrification sewage disposal, compound wall etc.

Accommodation statement Part I & II with Board proceedings.

Particulars of building if any to be demolished.

Land is available for the purpose or to be acquired.

The scales adopted are correct and supported by authority.

The necessity for the work is accepted in principle by CFA.

In case the Proposal contains both authorized and special work, both the total cost and cost of special work are within the financial powers of the Competent Financial Authorities.

Retrieval of material if any from demolition of building is properly accounted for.

The furniture provided is as per the latest scales.

The break-up of furniture for different categories of building is given.

**ANNUAL CONTRACT FOR DESPATCHES THROUGH CIVIL COURIERS
WITHIN COUNTRY (SCHEDULE: I (G))**

1. Schedule: Para G of Appendix II Part III, Air Force Schedule I. Airlift of stores within the country for finalization of annual contracts for airlift of stores and despatches through Couriers /speed post on one way or both ways as required basis.
2. Areas /Ranges Covered All categories of Air Force stores that are required to be despatched expeditiously in order to meet urgent requirement of service
3. Occasions When The Power Can Be Used
 - (a) For despatch of all types of Air stores when items are to be despatched against AOG/PHU/MCM and other urgent & operational requirements including Cat Ds on AOG.
 - (b) Contracts entered into should be on one way basis or two way basis from Depot to unit or unit to Depot.
4. Contract Concluding Authority. Contracts for hiring civil couriers which will be operated by CLO/SLOs of all units and are to be concluded by Air HQs on behalf of the units of operating units & by HQs MC on behalf of units under it.
 - (a) Air HQs {DD (MOV)} should conclude contract with a reputed courier having a vast network covering all our Air Force stations centrally. Air HQs & HQs MC are to decide at the beginning of the year their areas of responsibility.
 - (b) If no contract is concluded by Air HQ, HQMC may conclude contract centrally for all units under HQMC in consultation with IFA. HQs MC is to obtain written clearance from Air HQs before initiating the process.
 - (c) The financial limits for approval of contract is VCAS/AOM/AOC-in-C HQ MC for Rupees one crore with IFA/CDA concurrence per contract.
 - (d) Contract would be entered into on an annual basis. Separate zone wise contract can be entered into for each depot/unit.
5. Necessity Angle Approval For Entering Into Contract. Depending on the necessity for concluding contracts respective agencies as mentioned above will move the case to IFA for acceptance of necessity, as given below:
 - (a) ACAS (Lgs) at Air HQ to IFA at Air Headquarters and finally to AOM as CFA.
 - (b) AOLM to JCDA at Nagpur and finally to AOC-in-C HQs MC as CFA.

6. Details To Be Forwarded For Acceptance Of Necessity. The following details are to be forwarded to IFA for obtaining necessity angle approval.

(a) Need for expediency in despatches to meet operational requirements. Number of likely despatches based on past turnover. Reasons for selection of destination.

(b) Rough indication of expenditure (Basis of expenditure should be indicated).

(c) Nature of items to be despatched & likely destinations.

(d) The case should also bring out the advantages of use of civil courier over other modes of despatches like quick clearance of load. Cost will not be a restraining factor if operational requirement so dictate.

(e) If contract for to and fro despatches is proposed, then advantages is to be brought out in the proposal.

(f) Draft Tender document.

(g) List of firms to whom tenders are to be invited (HQs MC & Air HQs are to register firms on an annual basis by advertising in the major news papers).

(h) Confirmation of Budgetary support.

7. Budgetary Support.

(a) Code Head: The expenditure will be incurred from Major Head 2078, Minor Head 105 (e), LCH 735/00 as per IAP 0152.

(b) Budget Projection. 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 past trend of expenditure and future forecast requirements. Irrespective of the contract concluding authority it is the units that are to forward the budgetary estimates to the controlling command HQ which is consolidated and forwarded to D Fin P at Air HQ through DMA for the necessary budget allocations to the units through their command headquarters. The responsibility of preparation of budget estimates and the general rules that are to be followed in preparation of estimate is given in Paras 9 and 10 of IAP 0152 and AFO 54/77. The Time schedule to be followed for submission of estimates is given in Para 32 of IAP 0152.

(c) Budgetary Control: After contracts are finalised all requirements for despatch by Civil Courier are to be committed in the Accounts Section before placing order in order to ensure availability of funds and also to monitor expenditure and to make necessary amendments in the modified appropriation returns that follow. Orders placed for each case will be as per rates finalized in the contract but orders will be placed only after CFA sanction is obtained on per transaction basis as per schedule I (G)

(d) Paying authority and mode: The payments will be cleared by the Accounts Officer in the unit, when the bills are submitted along with the contingent bill duly vetted and signed by the Logistics Officer.

(e) Regarding IFA concurrence at this stage of fund projection detailed guidelines as given in SOP covered under schedule XII (H) should be followed.

8. Expenditure angle approval. After necessity angle approval is accorded Air HQs/HQs MC would authorize its units (depots) to float the tenders to firm approved at necessity angle stage. Depots/Units are to float tender, obtain offers in sealed envelopes & ensure public opening as per laid down procedure. Depot/unit are to prepare a CSQ and forward the complete documents to Air HQs/HQs MC. The draft contract which is to be entered into should be forwarded along with the contract papers. ACAS (Lgs) at Air HQs & AOLM at HQs MC are to obtain sanction of CFA as routing at para 5(a) & 5(b) above. While seeking expenditure angle approval Budget availability should be confirmed. After expenditure angle approval Air HQs/HQs MC is to issue a letter of authority authorizing the AOC/CO of the depot/unit to sign the contract. In case a two way contract is entered into the C Lgs O/S Lgs O of both units should be designated as contract operating officers. . Orders against finalized contract will only be placed after obtaining CFA sanction whose powers for each transaction would be as defined in schedule I (H).

9. Details/Documents to be submitted at necessity angle stage.

- (a) Past turn over & anticipated turn over.
- (b) Draft tender document
- (c) List of firms from to whom tenders would be forwarded
- (d) Budgetary availability confirmation
- (e) At expenditure documents.

At Expenditure Angle: documents

- (a) Offers received.
- (b) Comparative statement of quotes
- (c) Determination of L1
- (d) Draft contract to be entered into
- (e) Budgetary availability confirmation.

10. Check list for IFA & CFA

- (a) Is the entering into a contract justified for the identified destination?
- (b) Does the tender document guard the IAFs interests adequately?
- (c) Has sufficient competition been ensured?
- (d) Are funds available to meet the projected requirement?

11. **Time limit for processing the case**

- (a) Financial scrutiny at Necessity angle stage 10 days from receipt of the case
- (b) Floating of Tenders within 15 days of according necessity angle stage
- (c) Submission of Tender documents to HQs MC/Air HQs within 21 days of opening of offer
- (d) Submission of documents to IFA & CFA for approval within 7 days of approval at Air HQs/HQ MC
- (e) Financial scrutiny at expenditure angle within 10 days from receipt of the case

12. **Post Contractual Developments:** The contract copies are to be distributed to all contract operating Officers and their controlling commands with detailed instructions. Regular feedback is to be obtained from contract operating officer in terms of utilization and problems face

LOCAL PURCHASE OF STORES (Schedule- VIII (A))

- 1 Range: All Air Force stores and equipment including medical stores.
- 2 Occasions: Local purchase of stores can be resorted to: -
 - (a) The powers of local purchase (per transaction) are to be exercised only in respect of such items of authorized equipment as are urgently required and then only after it has been ascertained that suppliers are not available or cannot be obtained expeditiously from the normal source of supply. The use of the powers of local purchase should be exception rather than the rule except when the central procurement is dispensed with and units are authorized to undertake their own procurement.
 - (b) These Financial powers are also applicable to purchase of spares of MT and Marine Craft/Diesel Petrol generating set and medical stores. Powers in respect of stores relates only to purchase of indigenous stores and not in respect of stores from abroad. .
 - (c) For purchase, repair, calibration etc and for all maintenance requirements for all ranges of equipment whose maintenance philosophy is “Local repair” by units or through vendors.
- 3 Methodology for procurement
 - (a) Annual Contract: Units may conclude annual contracts in terms of Chapter 26 IAP 1501 for procurement of stores and services including condiments after following the procedure specified in the ibid chapter. The board of officers to vet, scrutinize, compare and recommend the vendors for supply of items for the year would be constituted with LAO/Local IFA as a member. Based on the recommendation of the board, Station Cdr/AOC of the self accounting unit is to forward his recommendation to Command HQrs. The annual contract would be entered into after approval by Command HQrs, which would be accorded in consultation with IFA at Command HQrs. Time frame for various actions leading upto the approval of contracts would be laid down by Command HQrs in consultation with IFA to ensure that the annual contracts are concluded before commencement of the financial year.
 - (b) The following procedure would be adopted while exercising financial powers in consultation for procurement of stores where no contracts have been concluded.
 - i) Wherever financial powers of CFAs are with financial concurrence/in consultation with IFA, concurrence of IFA is to be obtained at each stage of procurement, local IFAs/LAOs are invariably to be involved in following stages of procurement in respect of local purchase under schedule VIII(A).
 - (aa) Acceptance of necessity.

- (ab) Selection of mode of tendering i.e. OTE/LTE/STE at the time of TE stage.
 - (ac) Approval of sources in case of LTE and STE/Selection of vendors.
 - (ad) Vetting of draft tender enquiry.
 - (ae) Participation in Tender opening and vetting of CST. (All tenders are to be opened in the presence of bonafide reps. of firms.)
 - (af) Participation of TPC/PNC at units.
 - (ag) Vetting of draft supply orders and recording of FC NO & Date.
 - (ah) Concurrence of DP Extension, waiver of LD and security deposit.
 - (ai) Concurrence of Amendments to contracts.
- ii) However, for proposals upto Rs.2 lakhs which cover powers delegated upto AOC self accounting establishments, the concurrence of IFA will be combined at two stages. First stage will cover necessity angle concurrence, mode of tendering concurrence and vetting draft tender inquiry. The second stage will cover holding of PNC, if required, and expenditure angle clearance. Moreover, this provision will be followed till the time a dedicated IFA is posted to the concerned units/self accounting establishment.
- iii) In case of financial powers without concurrence, normal tendering/procurement procedures will be followed, though IFA will not be associated. All such sanctions are subject to post audit by CDA (AF)/JCDA (AF) as the case may be.
- iv) REGISTRATION OF VENDORS:** Separate lists of suppliers will be maintained by Air Force Units for local purchase and direct purchase and periodically reviewed for additions / deletions. Vendors already registered with Army, Navy, Ordnance Factories, DRDO and Defence PSUs and DGS&D will be automatically considered for issue of LTE. IFA, being a resourceful Officer locally available having knowledge of financial, accounting and contractual matters and working experience of other Departments of MOD, may be invariably consulted in the process of registration of vendors, particularly with regard to verification of financial and commercial capabilities of vendors. As such, the registration work is a multi-disciplinary and techno-commercial exercise.

- v) **ACCEPTANCE OF NECESSITY:** Due justification for acceptance of necessity is to be furnished to local IFA / LAO for scrutiny. In case of centrally provisioned items, non-availability certificate from concerned depot is to be invariably obtained or conditions specified in notes to Schedule VIII and provisions of Chapter 9 IAP satisfied. If it is the first time procurement, full details of the case along with justification for procurement is to be furnished for scrutiny of IFA /CFA
- vi) **ESTIMATED COST:** The value of local purchase proposals are to be estimated before issue of Tender Enquiry as follows:
 - (aa) Last purchase price. It should not be more than 3 years old
 - (ab) Year of last purchase price and date and no. of supply Order.
 - (ac) Budgetary quotations where LPP are more than three years old. Manufacturers price list and current discount rates may be obtained.
 - (ad) In case of price list or LPP is not available, the basis of arriving at the price of each item is to be indicated.
 - (ae) Where price lists/LPPs are not available, prices are to be assessed in consultation with specialist officers by clearly annotating that prices have been assessed.
- vii) After acceptance of necessity is concurred by IFA (where . CFA powers are with concurrence) and approved by CFA, LTE should be issued to established and registered suppliers concurred by IFA / CDA and approved by CFA, duly recording adequate reasons.
- viii) LAO is to be involved in vetting Draft Tender Enquiries and in vetting Draft Supply Orders wherein powers are to be exercised in consultation with LAO/Local IFA. A specimen copy of draft abridged TE is enclosed at Annexure I
- ix) In case of local purchases, the tenders are being invited and Comparative Statement of Tenders (CST) is prepared at unit level, when powers are to be exercised in consultation with IFA. This CST will be vetted by LAO with regard to original quotations to ensure that rates-taxes, duties, and charges have been properly recorded on the CST. The last procurement rate and source should be indicated in the CST and verified.
- x) Draft Supply Order is to be vetted with regard to standard terms & conditions of contracts. GOI guidelines, quantities, rates, taxes, duties and charges, payment terms, period of delivery, L.D. clause, security deposit etc. A specimen copy of draft abridged SO is enclosed at Annexure II.

- xi) While vetting, financial concurrence No & Date of IFA approval are to be indicated on draft supply order where applicable.
- xii) TENDERING: In all cases of local purchase except cash purchases under Schedule XVI (C), tenders are to be invariably invited. Quotations on letter pad / head should not be accepted. .
- xiii) As per rule 15 GFR and Appendix VIII under Rule 102, open tendering is to be resorted to for procurement of all items of Rs.2 lakhs and above. TPC including CFA and IFA can resort to LTE recording adequate reasons. IFA's concurrence for mode of tendering will be obtained at acceptance of necessity stage. Further selection of vendors for issue of LTE is to be approved by chairman of TPC i.e. CFA and concurred by IFA amongst others.
- xiv) However, the concurrence of LAO/IFA will not be obtained in respect of LTE up to Rs.80,000/-. All cases of LTE exceeding Rs.80,000/- up to Rs.8 lakhs are invariably to be issued with prior concurrence of IFA vide MOD letter no. 10(3)/02-D (Air-II) Dt:- 01/04/2002.
- xv) Financial powers against single tender without concurrence of IFA are Rs5000 and with concurrence are Rs.80000 as per delegation of powers vide MOD letter no. 10(3)/02-D (Air-II) Dt:-01/04/2002, as amended vide letter no. 10(3)/02-D(Air II) Vol II dated 9 Oct 2003.
- xvi) ISSUE OF PAC: Any item being proprietary in nature is to be procured from the OEM (Original Equipment Manufacturer) and the PAC (proprietary Article certificate) in terms of MOD letter NO: -93916/RD (II)/5242/D (RD)/ Dt: -15/10/1985 should be issued. PAC should be issued by CFA in favor of OEM/Authorised dealer, duly recording reasons and in all cases where financial powers are in consultation. The PAC will be issued in consultation with LAO/Local IFA. Reasonability of rates, among other things, is to be assessed with regard to cost break-up, price analysis and effective comparison with rates of similar items. When purchases are to be made from sole manufacturer or from authorized distributor, the percentage of rebate to be allowed by the manufacturer/ distributor should be obtained and the same be indicated in TPC/Formal sanction.
- xvii) **UNIT LEVEL TPC / PNC FOR LOCAL PURCHASE: -**
 TPC/CLPC at Unit level would comprise of
 - (aa) AOC / CO Depot of the self accounting unit (CFA).

- (ab) Representative of CDA i.e LAO/ Local IFA (where applicable)
 - (ac) CQAO (in case of BRDs and EDs only)
 - (ad) S Lgs O/C Lgs O or representative
 - (ae) Representative Of user section
- xviii) Association of LAO (AF) being IFA to AOC/ CO in TPC in respect of purchases exceeding value of Rs.1 lakh is to be ensured as a representative of IFA at Command level to ensure expeditious clearance of cases.
- xix) Wherever rates are considered on higher side or as advised by IFA, PNC may be conducted, associating IFA, with L1 firm. Brief for TPC/PNC should be submitted to IFA / members (Fin.), three clear working days in advance. In all cases of PNC, the minutes of PNC should be signed by all members, including member (Fin.) duly incorporating financial advice if any rendered. Reasonability of rates is to be brought out in minutes effectively.
- xx) INCORPORATION OF STANDARD TERMS AND CONDITIONS OF CONTRACT IN LOCAL PURCHASE ORDER: As per rules all standard terms and conditions of contract viz. among other things, security deposit, delivery period, liquidated damages, arbitration, payment terms, terms of delivery, inspection etc are to be incorporated in the local purchase order. Local purchase order is a contract. Tenders incorporating standard terms and conditions are to be invited for all such purchases except cash purchases under Schedule XVI. Security deposit can be waived with prior concurrence of IFA when powers exercised are with concurrence of IFA. The requirement of Earnest Money, Security Deposit and LD will be as per Rule 203, Rule 213 FR part-1Vol-1, and Rule 273 & Rule 12 of GFR. CFA, may, however, use his discretion in respect of cases upto Rs. 1,00,000/-.
- xxi) All security deposits in all approved forms are to be pledged in favour of IFA/CDA. Alternatively a system of permanent Security Deposit can be instituted where each Registered Vendor will submit SD of suitable amount to be decided in consultation with IFA, which will be kept valid during the currency of registration. In such a system, there is no need for the vendor to submit SD each time for each Contract.
- xxii) Inclusion of Liquidated Damage Clause In LPO As per GOI Decision Para 8 of Rule 12 GFR, liquidated damage clause is applicable in all contracts. Local purchase order is also a contract. L.D. is recovered for delay due to defaults on the part of the contractor, @2% pm or part thereof, not exceeding

10% of total contract value. LD cannot be waived without concurrence of local IFA.

- xxiii) Amendments To Local Purchase Orders With Concurrence Of IFA Any amendment to contract i.e. local purchase orders with regard to quantity, rate, delivery period, payment terms, having financial bearing, require prior concurrence of CDA/IFA or representative of CDA /IFA.
- xxiv) The UO no. and date of IFA is to be prominently shown on supply order as well as amendments to supply order.
- xxv) Association Of LAO In Tendering At EDs/BRDs In Local Purchases Cases Beyond The Financial Power Of AOCs/COs In cases of local purchases beyond the financial powers of AOCs/COs, where tenders are being invited by Unit authorities, LAO is to be involved in all stages right from the stage of acceptance of necessity, determining mode of tendering, selection of vendors to participation in TPC/PNC, though concurrence will be accorded by appropriate IFA as per delegation of financial power. This is applicable in cases where financial powers of higher CFAs are with financial concurrence of higher IFAs.
- xxvi) Procedure: - For procurement of items under xxvi above the user section is to raise a local purchase proforma (LPP) which should give the following details :-
 - (aa) Details of items required (including specific brand) with justification of the requirement.
 - (ab) Qty of item required.
 - (ac) Assessed/expected cost of items
 - (ad) Non-availability from stores.
 - (ae) Reason why item is to be procured locally eg. Urgently required, commonly available, demand not materialized etc.
 - (af) User should certify that qty being procured is barest minimum.
 - (ag) Proprietary article certificate if applicable duly countersigned by Section Commander/ is to be enclosed in case proprietary purchase is proposed.
- xxvii) The S Lgs O will provide LPPs for commonly available items required. The LPP should provide following details.
 - (aa) Details of items required.
 - (ab) Qty of item required to be procured.
 - (ac) Scale/maximum establishment, if applicable.

- (ad) Stocks
- (ae) Dues in, if any
- (af) Net requirement
- (ag) Last purchase price if available with year of purchase.
- (ah) If annual contract is finalized the contract approved rate is to be quoted.
- (ai) Ensure availability of propriety article certificate, if applicable.

xxviii) In case Air HQ/Command HQ authorizes procurement of an item through local purchase, the local purchase proforma is to be raised by the S Lgs O. Air HQ/HQ MC while authorizing any such purchase is to clearly give the following details:-

- (aa) Approval of AHSP
- (ab) Inspection agency
- (ac) List of all firms registered with AHSP/Air HQ/HQ MC for purchase of the item. The words “Likely source of supply” are not to be used while decentralizing such purchase. In case only one firm is registered proprietary purchase should be authorized with a PAC or if the item has to be procured on PAC basis, certificate by Director in respect of Air HQrs and Dy. AOLM in respect of HQ MC.

xxix) Where sanctions are issued with concurrence of IFA at Air HQrs/Commands, local IFA is to be invariably associated in tendering/contracting and post contract management.

- 4 Budget: - Budgetary control is to be done by Senior Accounts Officer for the full financial year. He is to maintain budgetary expenditure and commitment register for .all code heads under which funds are allocated to the unit. . He will forward monthly expenditure return to local IFA, endorsing copy to CDA (AF)/JCDA (AF) as the case may be, including latest allotment against various code heads or any other information required by local IFA.
- 5 Code head: The expenditure shall be incurred to respective local code head of the revenue budget.
- 6 Budget Projection: Budget projection will be made by SAO of Units based on following inputs.
 - (a) Expenditure details based on its budgetary control register.
 - (b) Commitment details based on its budgetary control register.
 - (c) Additional funds requirement for current year and funds requirement for next year is to be obtained from respective

purchase officers. LAO, being local IFA is to be associated in entire budget exercise

- (d) The compiled details are to be projected to command HQ as per Appendix 'B' to IAP 0152 who is further to consolidate and forward the details to Dte Fin (P) at Air HQ. The responsibility of preparation of budget estimates and the general rules to be followed are given in FR GFR and DFPR etc. The time schedule for submission is to be done as per existing Govt. orders /guidelines.
- 7 D Fin (P) will make bulk allocation to all command HQ. Command HQ will further make allotments to units endorsing ink signed copies of allotment to IFAs and CDA AF)/ JCDA (AF) as the case may be.
- 8 PAYING AUTHORITY AND MODE:** The payment will be made by accounts officer in the unit by cheque as and when the bills are submitted along with the contractors' bill (IAFA-68 revised) dully vetted and signed by the logistic Officer. It is the responsibility of the Accounts officer to ensure that funds are available before making payment. All third party payments are to be made through Contractors bill.
- 9 **DIFFERENCE OF OPINION BETWEEN CFA AND IFA:** In matter within the delegated powers, it is open to the CFA to overrule the advice of IFA by an order recorded in writing containing the gist of objections of IFA and reasons for overruling advice. A copy of the order overruling financial advice will be endorsed to the next higher CFA and IFA. In such cases, the local IFA should also be intimated. It will be open to the IFA to report the matter to the next higher IFA for perusing the matter with the higher CFA or dropping it as deemed fit, (Refer para 2 (b) of Govt. OM No.10 (3)/02-D (Air-II) Dt:-01/04/2002).
- 10 **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 authorised for Air Force Equipments.
 - (b) Items are urgently required.
 - (c) Items are not available in unit/ED.
 - (d) Items cannot be obtained expeditiously from normal source of supply.
 - (e) LP is resorted to in exceptional cases and not as a matter of routine.
 - (f) Purchase proposal is within the delegated financial powers of IFA and CFA.
 - (g) Whether CST has been signed by authorized gazetted officer and ranking statement has been vetted by IFA/rep of IFA.
 - (h) Tender-opening has been conducted properly by board of officers including rep of IFA in presence of authorized representatives of firms.

- (i) 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 purchased exceeding Rs.1 lakh etc).
- (j) Competitive tenders/quotations have been invited as per rules.
- (k) If the items are required for stock, then they are not to exceed more than three months requirement.
- (l) Items are not of short shelf life and not likely to be unfit in store.
- (m) Scales laid down are not exceeded.
- (n) Local purchase order has not been split up to avoid necessity of obtaining sanction from higher authority.
- (o) Where higher rates are accepted, reasons in detail are to be given by TPC before accepting the tender other than L1.
- (p) 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.

SOP FOR LOCAL PURCHASE OF MEDICAL STORES (Appendix 'A')

1. **RANGE:** All medical stores (Expenditure & Non Expendable).
Note: Purchase word includes purchase and urgent repairs.
2. **OCCASIONS:** Local purchase of medical stores can be resorted to: -
 - a) For all items of expendables/non expendables PVMS and Non PVMS medical stores which are authorized items and are urgently required and are neither available through service sources nor can be expeditiously made available from service sources.
 - b) For all medical stores wherein Command HQ/Air HQ authorize local purchase of medical stores normally procured through Central Sources.
 - c) The urgent repair through civil sources will be done with the aim to keep the medical equipment held by hospitals/units in a functional state at all time if local EME workshops repair facilities are inadequate or not available.
3. **PROCEDURE**
 - (A) **PROCUREMENT OF EXPENDABLE MEDICAL STORES**
 - i) **Emergency Purchases:** Authority : RMS AF 1983 Para 576(a) read with Para 047(I)- PVMS items in an emergency and Non PVMS items considered absolutely essential for the treatment of the patients. These may be purchased out of the Medical Stores local purchase grant paid out of unit's Medical stores local purchase grants,
 - a)Every year in the month of Feb a BOO will be detailed by the Hospital/unit authorities for estimating requirements of expendable medical stores which are urgently required on day-to-day basis for a financial year.
 - b)SOC for inviting tenders, mode of tendering and opening of tenders will be prepared by IAF Hospital authorities. This will be put up to IFA before issue of TE in case the financial powers are with concurrence of IFA.
 - c)TPC will decide supplier the one, who gives maximum discount on the Maximum Retail Price (MRP) i.e. L-1 after taking discount into consideration and other

factors and contract will be valid for one year and will be annual rate contract.

- d) In case of annual rate contracts, CFA and IFA will be determined with reference to value of estimated annual requirements of the year.
- e) Approved copy of the TPC will be forwarded to PMO of the controlling Command HQ and for the units under Air HQ, Med-2 Section at Air HQ for record purpose. In cases, where financial powers are with concurrence of IFA, the case will be submitted through IFA, who will vet the draft S.O. and accord concurrence, after examining the case.
- f) SMO/O i/c Medical Stores will place supply order from time to time to supplier for the supply of expendable medical stores, if it falls within financial powers without concurrence. If it is with concurrence, concurrence of IFA will be obtained before placing Supply Order.
- g) If a contractor fails to provide the required stores on time, contract with him can be terminated with concurrence of IFA.
- h) **Bulk Purchases:** Authority: RMS AF 1983 Para 576(b) – When PVMS items are not available from the dependent AFMSD. Purchase will be made against non-availability certificate from the AFMSD. These bills will be passed to the AFMSD, which will forward them to the CDA for payment. Quantity purchase will not exceed two months requirements or Rs.10,000/- whichever is less for hospital of 400 beds and above and for remaining units one month's requirement at a time as per instructions laid down in "Indenting Procedures" issued by the Office of the DGAFMS.
- i) SOC for necessity, obtaining tenders and opening of tenders will be submitted to CFA and IFA (where financial powers are with concurrence).

(B) PROCUREMENT OF NON EXPENDABLE MEDICAL STORES

- i) Medical stores will be procured in consultation with IFA wherever required subject to fulfillment of the following conditions: -

- a) The eqpt should be PVMS/Non PVMS medical stores
 - b) Non-availability should have been endorsed on the units indents by the AFMSD.
 - c) A certificate by SMSOs/Specialists that the eqpt is urgently required for smooth functioning of unit/hospital.
 - d) Budget provisioning should have been made.
- ii) Powers to be exercised with IFA/CDA concurrence: In all cases where powers in respect of purchase of medical stores required sanction of the Competent Financial Authority with IFA/CDA concurrence, as enumerated in Schedule VOIII of FR Part I Vol.II, the case will be forwarded to IFA/CDA as case may be through proper channel for their concurrence along with the documents mentioned below. However, the case where concurrence of IFA/CDA is not mandatory under above referred Schedule, the Competent Financial Authority will accord sanction following normal procurement procedures and the case does not require to be forwarded to IFA/CDA concurrence. The documents required to be accompanied with the case for submission to IFA/CDA before issue of TE.
- a) SOC along with QR
 - b) Indent marked N/A by AFMSD.
 - c) A certificate by Commandant/OC Hospital/SMO/Specialist that the stores are urgently required for the smooth functioning of unit/hospital.
 - d) Draft Tender Enquiry,
 - e) List of Vendors
 - f) Proprietary article certificate (PAC) if applicable duly counter signed by SMO/OC is to be enclosed in case of proprietary purchase.
- iii) After opening of tenders, CST will be prepared. Where rates are not considered reasonable, PNC will be conducted with L1 firm, associating IFA. Thereafter, the subject file along with tenders/quotations, CST, minutes of PNC/TPC where conducted and draft S.O. will be submitted to IFA for concurrence before it is submitted to CFA for sanction.
- iv)** After the concurrence of IFA, supply order will be placed indicating UO No. and date of IFA. At the time of payment,

Contractor's bill (IAFA-68) along with CRV and other supporting documents will be forwarded to the Unit **accounts**

- v) Officer for payment and the unit will intimate receipt of the stores to the respective AFMSD. Command HQ and Air HQ.
- vi) Normal local purchase order/S.O. containing standard terms and conditions will be placed on supplier/contractor as in case of local purchase. Standard TE will be followed for inviting tenders as in local purchase. UO No. and date of IFA, where issued with concurrence is to be clearly indicated on S.O.

PURCHASE OF ATG / MTG ITEMS (Schedule VIII- B)

1. The financial powers to be exercised by different Air Force Authorities for purchase of ATG/MTG items are laid down in GOI, MOD letter No. 10(3)/02-D (Air-II) dated 01 Apr 2002 (Annexure VIII) circulated by Air HQ letter No. Air HQ/95307/480/Fin P dated 19 Apr 2002.
2. A list of items that can be purchased out of ATG Code Head 786/19 is given in the MOD letter No. Air HQ/18517/8/Trg/931/US-I/D(Air-iv), dated 28/03/2002 by Air HQ letter No. Air HQ/18517/8/Policy/Trg dated 01/04/02
3. Prior concurrence of JCDA (AF)/IFA concerned is mandatory for exercising powers as given above by different Air Force Authorities. These powers shall not be exercised in anticipation of JCDA (AF)/IFA's concurrence. Where financial powers of CFA are **with** concurrence of IFA/CDA, IFA/CDA are to be associated in all stages of procurement activity.
 - a. Acceptance of necessity.
 - b. Selection of mode of tendering i.e. OTE/LTE/STE at the time of TE stage.
 - c. Approval of sources in case of LTE and STE/Selection of vendors.
 - d. Vetting of draft tender enquiry.
 - e. Participation in Tender opening and vetting of CST.
 - f. Participation of TPC/PNC at units.
 - g. Vetting of draft supply orders and recording of FC NO & Date.
 - h. Concurrence of DP Extension, waiver of LD and security deposit.
 - i. Concurrence of Amendments to contracts.
4. All standard terms and conditions of contract such as payment terms, paying authority, security deposit, arbitration clause, terms of delivery, delivery period, liquidated damage, force majeure clause(this clause will not form part of TE but will be incorporated in supply order if insisted by supplier), inspection etc are to be clearly indicated in Tender Enquiry and supply order. The UO No. and date of IFA/CDA are to be prominently shown in supply order.
5. **VETTING OF DRAFT TENDERS AND DRAFT SUPPLY ORDERS:**
Tenders are to be invariably obtained to make local purchases as per

laid down as per laid down procedures in GFR/FR/DFPR and MOD letters. Draft tender enquiries are to be vetted by IFA/CDA before issue. In case of limited tender enquiry, the list of vendors is to be invariably approved by CFA and concurred by IFA/CDA.

6. **TPC/PNC:** In all cases of purchases with or without financial concurrence exceeding Rs.1 lakh, TPC/PNC are to be invariably constituted as per MOD guidelines associating amongst others IFA/CDA. The brief for TPC/PNC are to be sent to IFA/CDA/Rep of CDA 3 working days in advance. Price negotiations with L1 firm will be conducted with prior concurrence of CDA/IFA or his representative, where rates are not considered reasonable or competition is inadequate etc. IFA/CDA/Rep of CDA is to be invariably associated in such price negotiations. The minutes of TPC/PNC will be signed by all members, including Rep of CDA/IFA.
7. When the cost of items exceeds the power of CFA, the case in the form of SOC along with Acceptance of necessity certificate by AOC-in-C, Command/PSO at Air HQ is to be raised in two copies and forwarded to IFA/JCDA (AF) through x O I/C ATG i.e. ATG for concurrence upto financial limit of Rs.10,00,000/- As regards cases belonging to Dtes of Air HQ/Units directly under Air HQ, the cases should be routed through Dte of Trg.
8. PURCHASE OF UNLISTED ITEMS:

Powers to Purchase unlisted items	Without IFA concurrence	With IFA/JCDA (AF) concurrence
AOC-in-C (WAC, SWAC, CAC, EAC, SAC and MC)	Less than Rs,1,000/-	NIL
AOC-in-C, Training Command	Rs.50,000/-	Rs..2,00,000/-

Any item costing less than Rs. 1,000/- which is not listed in Appendix B to GOI MOD letter No. Air HQ/18517/8/Trg/931/US-I/D(Air-IV) dated 28th March 2002 and considered essential for training, can be procured locally only after the necessity for procurement of the items out of ATG/MTG has been accepted by the concerned PSO in respect of units under Air HQr/branches of Air HQr. Similarly for units/formations under Command HQrs, necessity for procurement of the item out of ATG/MTG has to be accepted by AOC-in-C Command concerned.

9. Cases for procurement of ATG/MTG items costing Rs.1, 000/- or more which are not listed in Appendix B to GOI MOD letter No. Air

HQ/18517/8/Trg/931/US-!/D(Air-IV) dated 28th March 2002 and which are considered essential for training must be referred to

10. Government for purchase of items after their necessity for procurement has been accepted by concerned PSO in consultation with IFA Air HQr in respect of units under Air HQr/Branches of Air HQr. Similarly, for units/formations under Command HQr, sanction of MOD is to be obtained for purchase of the items after necessity for purchase of such items has been accepted by AOC-in-C of the Command concerned with concurrence of IFA/CDA. As regards, AOC-in-C Training Command, the financial powers to purchase unlisted items are Rs. 50,000/- without IFA concurrence. However, the financial limit is 2 lakhs. When the financial powers are exercised with IFA/JCDA (AF) concurrence.
11. PREPARING THE CASE FOR PROCUREMENT OF UNLISTED ITEMS: When it exceeds the financial powers of Air Force Authorities after opening of tender, sanction of MOD is to be obtained for which SOC in duplicate is to be raised. SOC must contain the following.
 - a. Confirmation regarding availability of funds out of ATG Code Head 786/19.
 - b. Acceptance of necessity certificate by PSO of Branch concerned/AOC-in-C, as the case may be, along with views of respective IFA/CDA.
 - c. Quotation from minimum four registered vendors including Kendriya Bhandar/NCCFI/OEM through RFQ. A non-availability certificate from Kendriya Bhandar/NCCFI if these agencies do not quote.
 - d. Comparative Statement of quotations received, with recommendation for procurement of item from a specific firm & reasons therefore with endorsement by CLP/Presiding Officer of the BOO. C.S.Q. is to be vetted by IFA/CDA/Rep of CDA.
 - e. If similar items have been supplied earlier, it has to be indicated clearly as to how these items are being utilized with indication about the utilization of the proposed item.
 - f. No PNC/TPC is to be conducted strictly. Further action as to TPC/PNC/Re-tendering is to be done only on receipt of instructions from MOD.
 - g. Detailed justification and financial implications matching with the quotation/quotations.

Issue of Direct Purchase Orders (Schedule-VIII- (D))

1. These powers are to be utilized for all maintenance requirements related aircraft and weapon systems, it's associated support equipment, MT and also for clothing, Barracks equipment and all type of stores.

Procedure to be followed

2. DPOs can be issued by HQ MC/Air HQ as part of procurement of indigenous items only against PR/SR/etc. as per SOP of schedule XII A to G. However in case procurement of item/s arises other than through PR/SR, the unit is to put up a detailed statement of case justifying the necessity and urgency of issuing a DPO. The powers to sanction to DPOs are vested with AOC-in-C HQ MC for decentralized ranges only and AOM at Air HQ upto a limit of Rs. 10 Lakhs in consultation with IFA/JCDA. Air HQ / MC are to accord necessity angle approval based on which a DPO is to be issued. Units / formations who are to procure the item are to follow normal local purchase procedure with LAO as member of TPC. Air HQ / MC are to endorse copy of DPO to LAO for advance information.

ACDA/ LAOs, being local IFAs, will be involved in all stages of procurement under DPOs viz. acceptance of necessity, determining mode of tendering, selection of sources in LTE, vetting of draft TE/draft Supply Order, TPC /PNC and in post contractual developments.

PURCHASE BY LIMITED TENDER ENQUIRY/SINGLE TENDER
(SCHEDULE: VIII (E))

1. **Occasions:** This provision is applicable for all local purchases done from public funds by all IAF units where the purchase is required to be done from the reputed firms/suppliers already listed/registered as reputed and approved suppliers. Procurements by central agencies like Air HQs, HQs MC and by depots against reviews, census, AOGs etc would be governed by provisions at footnote of schedule XII M and not this provision.
2. **Ranges:** All IAF stores and supplies, which are locally procured at IAF units.
3. **Scope:** The procedures detailed below apply to local purchase of stores under purchase of ATG/MTG items, purchase of AOG/PHU/MCM items and direct purchase orders under A, B, C, D, E of Schedule VIII.
4. **Registration of firms.** All self-accounting IAF units will, at least once a year, advertise in local as well as major (Zonal) newspapers seeking registration of firms. Registration of firms is to be done by operating unit as follows:
 - (a) Separate registrations to be done for normal local purchase and for Annual Local Service Contracts.
 - (b) Registration is to be done separately for every range of items. No registration is to be done under range of "General Order Suppliers"
5. Based on response to the advertisement, Unit commanders are to detail an independent Board of officers including local IFA/representative of local IFA (of which Logistics Officers and Accounts Officers are not to be members) to review each request and suggest registration or non-registration of the firm with reasons thereof. The independent Board of Officers is to also review firms already registered and recommend their retention or deletion. The board is to obtain inputs on performance of already registered Vendors from the S Lgs O. While registering new firms the aspects like, the credibility of the firm, annual turn over, financial status, income tax returns etc needs to be verified by the Board of Officers. IFA, having knowledge of financial accounting and contracting rules and working experience of other Department of MOD may invariably be consulted in process of registration of vendors particularly w.r.t. verification of financial and commercial capabilities of vendors. As such registration work is a multi disciplinary and techno commercial exercise After the Board proceedings are approved by the unit commander, the S Lgs O of the unit is to implement the recommendations within 15 days of approval.
6. Ad-hoc registration during the year can be done on receipt of request from potential firms. Such ad-hoc requests are to be vetted by a standing

independent committee, including IFA/representative of IFA designated by the unit commander. The independent committee is to be designated on an annual basis and should not include accounts and logistics officers. The recommendations of the independent committee are to be approved by unit commander for them to take effect. Whenever independent board is ordered for review, the vendors for registrations/Ad-hoc registration, copy to relevant orders be endorsed to local IFA.

7. OEMs (Original Equipment Manufacturers) and their authorized dealers do not get automatically registered. These firms are to be put up to the independent committee. S Lgs O can recommend the OEMs or his authorized dealers for registration when it is confirmed that it is the OEM. The limits specified for STE i.e. Rs.5000/- apply to both proprietary and non-proprietary purchases (without consultations with IFA/CDA). Similarly, firms registered at Air HQs, DGAQA, HQ MC, Depots, HAL, BEL etc can also be recommended by S Lgs O for automatic registration without reference to committee. Vendors, already registered with Army, Navy, Ordnance Factories, DGOF, DRDO, Defence PSUs and DGS&D will automatically be considered for inclusion in the list of registered vendors and for issue of LTE.

8. After registration, a copy of the list of registered suppliers, category wise, is forwarded to the concerned IFA for reference.

9. Procurement on Limited Tender Enquiry basis is to be done from registered firms only. Users recommendations to procure items from non-registered vendors for a specific requirement are to be referred to the independent committee before opening of price bids. Reference to the independent committee may be dispensed in writing by the unit commander in exceptional and urgent cases in consultation with IFA. However after the purchase has been affected the firm is to be referred to the independent committee for registration for all future purchases.

BLACKLISTING OF FIRMS

10. C Lgs O/S Lgs O of units may recommend blacklisting of firms to their command Headquarters after due consultation with IFA. The case should give complete details and should be supported with documentary proof. The case should also be duly recommended by the unit commander. Command HQs is to issue a show-cause notice and seek a response within a reasonable time. In case of no response in the laid down time the firm is to be black listed. In case of a response, Command HQs is to study it and take a final decision whether or not to Black list the firm.

11. Units are to continue dealing with the firms till advised otherwise by the black listing authority.

12. In case command HQs decides to black list a firm it is to advise all units under its command and also advise all other commands and Air HQs

(DMA) to advise all units under them. All IFA at local/command and Air HQ level will also be kept informed whenever firms are black listed.

13. Black listed firms are not to be considered for registration for at least 5 years. All units, command HQs and Air HQ (DMA) are to maintain a list of Black listed firms.

A certificate to the effect that vendors whose name has/have been recommended for floating TE is/are not black listed may be endorsed while seeking approval of CFA/IFA for floating LTE/STE.

SELECTION OF VENDORS FOR TENDERING & MODE OF TENDERING

14. Floating of LTE up to Rs. 80,000/- and STE for both proprietary and non-proprietary purchases up to Rs. 5000/- which are to be exercised without consultations of IFA may be decided by CFA duly recording adequate reasons and procurement will be effected following normal procurement procedures as applicable to financial powers with concurrence except that concurrence of IFA will not be obtained. In all other cases i.e. above Rs.80, 000/- to 8 lakhs LTE is to be floated with the approval of IFA/CDA. This implies that IFAs will be invariably involved in all the stages of procurement in respect of local purchase.

- 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 UO NO & Date.
- viii) Concurrence of DP Extension, waiver of LD and security deposit.
- ix) Concurrence of Amendments to contracts.

However this is not applicable to self-accounting Units headed by COs where powers without concurrence are only Rs, 40,000/-. Here all LTE cases beyond Rs.40, 000/-, local IFAs will be consulted, as per delegation of financial powers.

In all purchases exceeding Rs.5 Lakh with or without concurrence TPC is to be conducted associating IFA/CDA or Rep.of IFA/CDA.

15. Open tender system should be used as a general rule in all cases in which estimated value of demand is Rs.2 Lakhs and above. However, LTE can be resorted to by CFA with prior concurrence of IFA, duly recording reasons such as public interest, urgency, availability of definitely known sources, and security.

All procurement below Rs. 8 lakh and above Rs.5000/- may be done on Limited Tender Inquiry basis depending on delegated financial powers of CFAs duly recording reasons. Tenders are to be invited from all registered

vendors for the particular range irrespective of the fact whether less or more than 7/15 firms are registered for the particular range. In case the numbers of firms registered for a particular range are far too many for it to be administratively convenient to invite tenders, the following guidelines are to be followed, associating IFA/CDA, as it has direct financial bearing in all cases, with or without concurrence.

- (a) For all purchases between Rs. 5000 to Rs.1 lakh tenders are to be invited from at least 7 reliable firms invariably with concurrence of IFA/CDA.
- (b) For all purchases between Rs.1 to 3 lakhs tenders are to be invited from at least 15 firms invariably with concurrence of IFA/CDA.

The basis and reasons for selecting the 7/15 firms are to be clearly brought out by S Lgs O while seeking necessity angle approval. IFA will invariably be consulted in selection of vendors in LTE where such financial powers are with financial concurrence, clearly justifying the basis and selection of vendors.

16. All local purchase beyond Rs. 8 lakhs is to be invariably done on open tender basis. Names of firms recommended by command HQs and/or Air HQ are to be included while inviting tenders for a particular purchase even if the firm is not registered with the unit but its registration has to be ensured before opening of price bids. Any further purchase from the firm is to be done after it is registered at the unit.

MODE OF TENDERING

17. The mode of tendering i.e., inviting tenders by registered post and receiving tenders/quotations by post should normally be followed. IFA/JCDA/LAO or his representatives are to participate in Tender opening. All sealed quotations are to be publicly opened in presence of bidders/their-authorized representative at specified date and time by a Board of Officers including IFA/rep. of IFA. Tenders/Quotations are to be received in sealed envelopes. However it can be obtained by Fax incase of single Tender or proprietary purchase in exceptional circumstances with prior concurrence of IFA. Telegraphic or Letter/Fax Quotations may be considered in exceptional circumstances if the same is followed by a formal tender within three days provided such telegraphic/letter quotations are complete in all respects with regard to price, specifications, delivery and other particulars essential for taking purchase decisions with prior concurrence of IFA. Late and delayed

tenders and unsolicited offers shall be rejected. However, where Tender Purchase Committee feels that competition is inadequate, late and delayed tenders will be opened by members of TPC for the mere purpose of comparison of rates.

18. Proprietary purchase is to be resorted to recording adequate reasons among other things, depending on delegated financial powers following laid down procedures. However, the financial powers for procurement of articles on P.A.C basis is only Rs.5000/-without financial concurrence.

(a) The make of a particular firm is only acceptable. The user is to submit a proprietary certificate giving reasons for fitness while requesting for purchase of the item.

(b) The purchase of a specific brand of item is being done from the OEM or his authorized dealer, where there is single known source available. This is subject to the condition that the firm has only one dealer in the local market for the particular brand range. Where there are more than one authorized dealer, quotes may be invited from different authorized dealers. Brand purchases are to be resorted to only to replace a particular brand in use or to repair a brand item from the authorized dealer of the brand. Proprietary certificate in such a case is to be signed by the Logistics Officer.

(c) All proprietary certificates are to be signed by unit commander before the purchase is effected i.e., while according acceptance of necessity and sanction.

19. **Standard Terms and Conditions of Contract**

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

20 **Liquidated Damage Clause In LPO**

As per GOI Decision para 8 of Rule 12 GFR, liquidated damage clause is applicable in all contracts. Local purchase order is also a contract. L.D. is recovered for delay due to defaults on the part of the contractor, @ 2% per month or part thereof, not exceeding 10% of total contract value. LD cannot be waived without prior concurrence of local IFA. Recovery of LD or waiver will be watched by CDA (AF)/JCDA (AF) during post-audit.

21 Amendments To Local Purchase Orders

No purchases other than cash purchases under schedule XVI can be made without inviting tenders except from Forests and Jails. A tender on acceptance becomes a contract. Any amendment to contract i.e. local purchase orders with regard to quantity, rate, delivery period, payment terms, having financial bearing, require prior concurrence of CDA/IFA or representative of CDA /IFA i.e. LAO being IFA to AOC/CO. The UO no. and date of IFA is to be invariably prominently shown on supply order as well as amendments to supply order.

**PROCUREMENT THROUGH TENDER PURCHASE COMMITTEE AT
AIR HEADQUARTERS, HQ MC & DEPOTS (SCHEDULE: XII D, E, F & G)**

1. Schedules XII D, XII E, XII F and XII G deal with the powers for indigenous and foreign procurement at Air HQ, HQ MC and Depots through a Tender Purchase Committee.

Sub-schedules

2. **Schedule XII D.** Schedule XII D confers powers for indigenous procurement at Air HQ. The powers are to be exercised in consultation with IFA at Air HQ. The powers have been delegated to VCAS / AOM, ACAS / Director of weapon system concerned and D Purchase to effect purchases through a Tender Purchase Committee. These powers would be exercised for all procurements for centralized range.

3. **Schedule XII E.** Schedule XII E confers powers for indigenous procurement at HQ MC. The powers are to be exercised in consultation with IFA at HQ MC. The powers have been delegated to AOC-in-C and AOLM at HQ MC to effect purchases through a Tender Purchase Committee. These powers would be exercised for all procurement for decentralized ranges. TPCs will invariably be conducted for all purchases exceeding Rs.5,00,000/-

4. **Schedule XII F.** Schedule XII F confers powers for indigenous procurement of items of decentralized ranges at self-accounting Equipment and Repair Depots. The powers are to be exercised in consultation with local IFA to effect purchases through a Tender Purchase Committee. These powers would be exercised for all procurement for decentralized ranges and for which the depot is the stock holding agency or the AHSP.

5. **Schedule XII G.** Schedule XII G confers powers for procurement ex-import at Air HQ. The powers have been delegated to VCAS / AOM and ACAS (Lgs) to effect purchases through a Tender Purchase Committee. These powers are to be exercised for all imports covering all centralized and decentralized ranges.

All procurements would be done by the concerned Maintenance Cell for the weapon systems it handles. Dte of Purchase will undertake all procurements for Dtes under ACAS(Lgs). In case of HQ MC and depots the procurement agency would be designated by AOC-in-C HQ MC and AOC/CO of the depot respectively.

Procurement of Critical/Urgent Requirements

(on AOG/PHU/MCM) from sources abroad

6. The provisions and procedure in respect of urgent indents as specified vide Govt of India letter No. Air

HQ/60260/29/JR/1516/USI/D(Air-IV) dated 27 Jun 2001 based on which detailed working guidelines for implementation of above procedure have been amplified vide AOM's Canon 12/2001 (Copy of above GoI letter is enclosed with AOM's canon 12/2001) are to be followed.

Occasions

7. These powers are to be exercised only after the necessity angle approval vide Sch XII A / XII B / XII C has been accorded for the procurement.

Ranges

8. These powers would cover ranges for all procurement for which expenditure is to be incurred from Maintenance Revenue funds. For expenditure on a/c of Capital item / Purchases the proposal may be sent to MoD.

Budgetary Support

9. Budgetary support is presumed to be available under the respective code-heads once necessity angle approval has been accorded. However, it is mandatory that Budgetary support from respective code head is once again re-confirmed at the procurements stage also.

PROCEDURE

10. This SOP has been divided into **pre- & post-contract actions** for ease of reference and understanding.

PRE-CONTRACT ACTIONS

11. The various phases of this stage are: -

- (a) Technical Vetting of Indent and financial vetting of Indent by IFA and determination of Mode of Tendering in consultation with IFA.
- (b) Selection of sources in consultation with IFA and issue of Tender Enquiry/RFP duly vetted by IFA.
- (c) Receipt of quotes, Technical Evaluation with IFA consultation, opening of price bids (Technically acceptable) and their acceptance in presence of Vendors.
- (d) Preparation of Comparative Statement of Quotations (CSQ) and vetting of CSQ by IFA.
- (e) Initiation of Purchase proposal and holding of Price Negotiations, if necessary in consultation with IFA.
- (f) Re-tendering. in consultation with IFA.
- (g) Obtaining expenditure angle approval (and if required enhanced cost sanction).
- (h) Approval of TPC.

- (i) Vetting of draft contract and recording of UO No. and date by IFA.
- (j) Signing of final contract.
- (k) Post contract activities (Para 35)

The Maintenance Cell / Provisioning cell or equivalent cell which obtains the necessity angle approval of IFA and CFA will forward a formal indent to the purchase cell, within 7 days of necessity angle approval. The indent is to be the same as approved by CFA at time of necessity angle approval. A indent no. is to be obtained from Dte MIS at Air HQ (HQ MC and depots are also to allocate indent numbers). The indent should clearly specify if technical and commercial bids are to be invited separately.

Vetting of Indent by Purchase Cell

- 12.** The indent SORs is to be checked for its completeness with specific attention to weapon system, range of spares, recommended vendors or proprietary certificate (signed by Director of indenter or similar rank of HQ MC and Depot), details of the items indicating Qty, estimated cost, total financial implications including ED, ST, Freight etc and source of supply, sanction of CFA, financial concurrence of IFA, UO No and date of IFA, specifications wherever necessary, confirmation of budgetary support, code head estimated cost, expected delivery schedule and consignee distribution, in addition to other aspects. The indent is to be vetted by DGAQA / AHSP (for indigenous purchases) if the indenting Dte anticipates any changes in the specifications. The purchase cell while registering the indent shall carry out all his further communications under the original indent no. The purchase cell is to confirm registration to the indenter within 3 days of the receipt of the indent.

Vendor Selection and mode of tendering

13. A careful selection of the authorised and registered vendors is to be made in consultation with IFA for the range of spares on the Schedule of Requirement based on guidelines. The selected vendors from who offers are to be obtained should be in consonance with the indent.

Note:- HQs MC and EDs/BRDs will be responsible for registration of firms for purchase to be made by them respectively under their delegated power. There is need for widening the vendor base at Command and Unit level. IFA/ rep of IFA, being a resourceful officer locally available having knowledge of financial, accounting and contractual matters and working experience of other Departments of MoD, may be invariably consulted in the

process of registration of vendors, particularly with regard to verification of financial and commercial capabilities of vendors. As such, registration work is a multi-disciplinary and techno-commercial exercise.

14. In case any vendor is to be added or deleted from the names included in the indent, the issue is to be necessarily referred to indenter, IFA & CFA with reasons to be recorded as an on going exercise to increase vendor base. Vendors already registered with Army, Navy, Ordnance Factories, DRDO, DGS&D and Defence PSUs for similar items will invariably be considered for issue of L.T.E. if considered by TPC unless these are recorded and adequate reasons to the contrary. Where such capacity verification is to be undertaken as deemed fit by TPC, it should invariably be undertaken before opening of tenders, though tenders will be provisionally issued to such vendors, pending capacity verification.

15. **Mode of Tendering is to be decided in consultation with IFA at necessity angle of approval stage itself.** All procurements of aircraft and weapon system related components and services are to be done on either proprietary, single tender (from OEM) or limited tender and not on open tender system. The need to obtain waiver from open tender for each indent is therefore not essential. Open tender is to be resorted to in case of procurement of general items where specifications can be easily related to by the market. All registered firms as per foot note at schedule XII (M) are to be approached irrespective whether they are less or more than 7/15 firms. No waiver from open tender enquiry is required if at necessity angle stage it is certified that all registered vendors would be approached. IFA should ensure that mode of tendering is clearly indicated in Indent at the time of financial vetting, including the requirement of two-bid system where applicable.

Tender Enquiry/RFP

16. A tender enquiry or RFP is to be prepared incorporating all the required details from the indent and got vetted by IFA at necessity angle stage. In addition, the following is to be clearly mentioned: -

- (a) Details of items required in a form, which each supplier can understand. Be specific if separate technical and commercial bids are required.
- (b) Date and time of opening of tenders, giving a suitable period for adequate response.
- (c) Desired period of validity of offers.
- (d) Amount of earnest money to be deposited.
- (e) Inspection clauses.
- (f) Mode and terms of delivery.
- (g) Mode and terms of payment and paying authority.
- (h) Security deposit requirements.

- (i) Performance Guarantee, if applicable.
- (j) Arbitration Clause.
- (k) Liquidated Damages Clause.

In case General contracts/main agreement exists with a firm, the RFP should be tailored accordingly in which case IFA consultation may be dispensed with. The RFP should be as approved at necessity stage and/or should be a true and complete reflection of the indent. Deviations if any should be done only after clearance of indentor and after approval of IFA and CFA. In specific cases, a two-bid i.e. technical commercial tender enquiry may be resorted to. Two bid system should be invariably be followed where technical specifications are to be ascertained or are not known or are likely to be at variance between vendors, or which involve techno-commercial evaluation viz. Plant and Machinery /equipment and specialised stores etc.

Issue of Tender Enquiry/RFP

17. The RFP/tender enquiry should be issued within 3 days of registration of the indent. Normally tender enquiries and RFPs are to be sent by registered post only. Fax messages may be resorted to only in cases of Single Tender Enquiry/ Proprietary Purchases or AOG/urgent indents and only if the RFP/TE is five pages or less RFPs/tenders are to be signed by any gazetted officer.

18. Adequate time is to be given to the tenderers to respond, depending on the number of lines involved. The urgency should be also kept in mind. In case of general contracts (main agreement their terms and conditions should be adhered to.

Receipt of Quotes

19. Quotations are to be received in **sealed** envelopes. Fax / telegraphic quotes are to be accepted only incase of single tender, proprietary purchases and AOG/urgent requirements. The offers are to be opened by a **Board of Officers, including Finance representative of IFA/CFA.. Late tenders** (i.e. those received after the due date & time of opening) and delayed tenders **are not to be opened** at all. **Exception to this principle can be made when the offer is against Single Tender Enquiry or Proprietary Purchase or from OEM. In case separate technical and commercial bids are invited only the technical bids are to be first opened and referred to the AHSP/Tech committee.** Commercial bids of only technically acceptable quotes are to be opened. Rejection of technical quotes can only be done by AHSP with the approval of ACAS at Air HQ, SMSO/AOLM, HQMC and AOC/CO of Depot, duly recording reasons in minutes of T.E.C. but not by individual technical officers.

20. The Tender Opening Sheet is to be authenticated by all the members the Board of officers including member (Fin.) and signature of vendors present at the time of opening bids must be obtained, with a certificate that sealed commercial bid have been opened in their presence.

Preparation of CSQ

21. Once all the accepted tenders have been received, the Purchase Wing IFW / FPW is to collate them in the form of Comparative Statement of Quotations (CSQ) and this should be signed by the purchasing officer. The CSQ will be vetted by IFA /CDA with regard to original quotations/tenders, indents and other supporting documents. A purchase proposal as per guidelines is to be formulated and put up to TPC as prescribed in MOD (Fin) with recommendations **within 7 working days of opening of bids**. The purchase cell on behalf of the TPC will not enter into any correspondence with any vendor on any commercial and financial issue related to the procurement unless he has the written approval of the TPC members or CFA in consultation with IFA. The purchase officer is responsible to confirm reasonability of cost and technical acceptance of quotes in the purchase proposal and will approach the indenter/specialist only for specific queries on specific item. General reference to indenter/specialists for general vetting of offer is not to be resorted to. Indenter is responsible to confirm that requirement still exists and to confirm budget availability. Cases of enhanced cost action are to be handled and processed based on principles given in Air HQ letter No/61279/35/4/Lgs dated 18 June 2001 in consultation with IFA.

21.1 While vetting the ranking statement/CSQ, IFA will ensure that where a firm/firms have not indicated taxes/duties/other charges as per Tender Enquiry which are otherwise applicable/leviable at a later date, are to be loaded as per prevailing rates correctly to equitably compare the offers and to determine the ranking order. After loading, if the loaded firm still remains L1, order will be issued for the quoted value but not for the loaded value.

Constitution of PNC and Holding of PNC Meetings

22. As a rule if prices are reasonable there should be no Price Negotiations. This is in consonance with MoD & CVC guidelines. However, exceptions can be made where the offers received are at wide variance from the estimated cost or it is common knowledge that the quoted prices are unreasonable. In such cases, **only the L1 is to be invited for a Price Negotiation Meeting**. The Purchase Coordinating Officer has no right to make a counter-offer to the firm on his own under any circumstances unless approved by the TPC.

23. A Price Negotiation Committee (PNC) including finance member is to be formed for conducting negotiations with the L1. The composition of the PNC is to be as enumerated at Schedule XII D to G. Additional members can be co-opted on a case-to-case basis. PNC should be held within 30 days of opening of the quote.

24. In case price negotiations are to be held, the Purchase Cell is to put up a brief of the case to the TPC member atleast five days before the negotiations commence. The brief should clearly spell out the aspects of the case and the points (including all issues other than prices also) on which discussion is to take place so that the PNC is fully aware of the case and the contentious issues that have to be resolved in the price negotiation meeting. The PNC recommendations are to be clear and unambiguous. **A counter-offer may be made to the L1 only by the PNC.** In case PNC fails to arrive at any conclusion in the first instance, the next PNC is to be held by the next higher CFA within Air HQ, HQ MC. The minutes of all TPCs/PNCs ,including financial advice rendered if any, by IFA will be meticulously maintained and all such minutes will be signed by all members including members (Fin.)

25. The provisions and procedure laid down in Govt. of India Letter No. Air HQ/60260/ 29/JR/ 1516/USI/D(Air-IV) dated 27 Jun 2001 are to be followed for urgent procurements. .

Product Reservation

26. As stated vide para 3.5 of chap 3 of DGS&D manual (Annex-IX) it is important to note that all items of handloom textile items including Barrack and Blankets are to be procured by all Central Govt Departments including Defence only from ACASH (Association of Corporation and Apex societies of Handlooms) at prices which are fixed by Ministry of Textiles/Finance except specific items which are not as per specifications laid down for Defence exempted by MOD.

Norms to hold Price Negotiations (PNC)

27. Files may be made available to TPC member for examination and PNC briefs should be made available to the member's at least 5 days before the PNC . As far as possible an internal PNC should be held by the members before holding the PNC with the vendor Negotiations with LI/ techno-commercially acceptable vendor where considered essential may be conducted with prior concurrence of IFA in following cases..-

- (a) When there is inadequate competition in LTE. less then three quotations are received against LTE.
- (b) Wide variation between Quotes of L1 and L 2 and amongst Quotes of tenderers.
- (c) Wide variation between estimated cost and tendered cost.

- (d) In case of proprietary items procured on single tender where reasonability of rates cannot be justified.
- (e) Where all tenders/firms quoting one make but different prices and terms and conditions etc. and
- (f) Any other factor, which has a bearing on financial terms and conditions directly or in directly which IFA or TPC deems necessary to conduct negotiations.

Re-tendering

28. In extreme cases, where the L1 is not amenable to persuasion in reducing the costs, or not complying with among other things, **delivery schedule and standard payment terms**, re-tendering may be resorted to only after approval of IFA and CFA who are to satisfy themselves that re-tendering will not lead to further increase in prices.

29. In cases of re-tendering, fresh tender enquiries are to be issued to all vendors listed in the indent. However, additional vendors could be approached only after consulting the indenter, and obtaining approval of IFA and CFA. **The previous L1 must invariably be asked to compete afresh.**

30. In cases where against limited tender or open tender, single quotation is received, or which results in only one effective offer all such cases should be carefully examined and re-tendered due to extreme inadequate competition as deemed fit by TPC duly recording reasons.

31. The procedure to be followed for inviting quotations, receiving them and preparing CSQ are the same as detailed above. RE-tendering will be done only after approval of IFA/CFA.

Approval by TPC, Expenditure Angle Sanction and vetting of Draft Contract

32. Once the minutes of the PNC meetings are finalized, a purchase proposal is to be put up to the CFA, through the penultimate CFA and IFA, for expenditure angle sanction and approval for procurement. This proposal is to be prepared on guidelines within 3 days of successful completion of PNC. Cost finally arrived at should be complete and clear including all taxes, P&F charges etc and not conditional.

33. The purchase proposal is to clearly bring out all the facts of the case, right from initiation to the agreed terms and conditions of the procurement.

34. A draft contract or supply order is also to be prepared and put up at the same time for approval. The draft contract is to be vetted by IFA who will record UO Note No and date. Delivery period in the contract should be specific and not conditional. Documents to be submitted for payment should be clearly defined.

35. Once the CFA approval has been accorded, the draft contract is to be finalized with the firm at the earliest. The contract/supply order is to be signed by an officer of the rank of at least a Group Captain / Wing

Commander. The supply order is to be sent in duplicate to the firm who will sign each page, of one supply order and return the same for record.

POST-CONTRACT ACTIONS

36. The various stages of this phase are: -

- (a) Obtaining signed copy of the supply order.
- (b) Distribution of contract copies.
- (c) Security Deposit if applicable.
- (d) Bank Guarantee / Performance Guarantee if applicable.
- (e) Monitoring of supplies / deliveries.
- (f) Opening of Letters of Credit.
- (g) Payments, including levy of Liquidated Damages in consultation with IFA and after CFA approval.
- (h) Amendments to clauses of the contract to be done in consultation with IFA and after CFA's approval .
- (i) Amendments to Letters of Credit in consultation with IFA and after CFA concurrence if there are any financial implication.
- (j) Short-closing of contract in consultation with IFA and after CFA concurrence if there are any financial implication.
- (k) Cancellation of contract in consultation with IFA and approval of CFA.
- (l) Invoking option clause, repeat order in consultation with IFA.

Acceptance of Contract/SO/RMSO

37. The purchase officer has to have a monitoring system to ensure that the contracts placed are duly signed by the contractor. If no Supply Order is received within 14 days from the date of issue of the contract/supply order then a reminder is to be sent by Fax/Speed Post and the matter pursued till a supply Order duly signed by supplier/firm in token of its acceptance (Rule 234 of FR Part I Vol. I) is received.

Distribution of Contract or supply order Copies

38. It is incumbent on the Purchase Coordinating Officer that copies of the contract / Supply Order are delivered to all the concerned agencies. Chief among these are: -

- (a) The vendor.
- (b) The consignee.

- (c) The Inspection Agency.
- (d) The Paying Authority. (Original copy is to be endorsed)
- (e) HQ MC IAF.
- (f) Controlling Command of the consignee, if different from HQ MC.
- (g) The indentor.
- (h) The audit authority.
- (i) File.
- (j) IFA
- (k) Port of destination (Emb HQ/MCUs)
- (l) DDLIS, Air HQ RK Puram.

Monitoring of Supplies / Deliveries

39. Regular monitoring of supplies and delivery schedules is a must to ensure that both the parties meet contractual obligations.

Opening of Letters of Credit and Other Modes of Payment

40. The Letters of Credit are to be opened in accordance with the terms of the contract. There should be no delay that will invite adverse comments from any authority or agency, including the vendors. This will ensure the credibility of the IAF and will go a long way in fruitful cooperation among IAF and vendors.

41. Similarly, all payments are to be promptly cleared and all queries attended to on priority to obviate any misunderstandings.

Amendments to Contracts and LCs

42. All amendments to contracts, with financial implication (direct or indirect) including short closing, and delivery period extensions are to be invariably approved by the CFA, in consultation with the IFA. The note must bring out in detail the effects of the proposed amendments. Financial aspects are to be clearly spelt out, including release of security deposits, bank / performance guarantees and the effect on budget. UO Note No and date of IFA/CDA will be clearly indicated in all amendment letters.

Security Deposits and Bank & Performance Guarantees

43. Security deposits and bank / performance guarantees from nationalized banks subject to a **minimum of 5% and maximum of 10%** contract value are to be insisted on from the supplier as per prevailing regulations for indigenous procurements. The quantum of SD may be varied **in case of unregistered firms by CFA with concurrence of IFA**. These should be valid for the complete period of the validity of the contract/orders. All delivery period extensions should be subject to extensions of deposits and guarantees. Waiver from deposits and guarantees can only be given by CFA

in consultation with IFA based on Govt approved regulations. The requirement of SD, terms and conditions related to forfeiture of deposits and guarantee in case of failure should be clearly brought out in the contract/supply order. All security deposits and bank guarantees should be pledged in favor of CDA/IFA.

44 In case of plant and Machinery, performance guarantee equivalent to 10 % of the total contract value is to be obtained from the contractor which will be kept valid till expiry of guarantee/warranty period, i.e.18 months from the date of supply or 12 months from the date of successful erection and commissioning whichever is less.

In case where contractor fails to deposit/submit PG, it will be recovered from its bill, which will be released only on expiry of guarantee/warranty period.

Provisions for performance guarantee are to be incorporated in tender enquiry. It is further to be ensured by IFA that such performance guarantee is obtained from any nationalized bank and pledged in favour of CDA/IFA.

Levy of LD

45. LD Clause invariably incorporated in all contracts. Levy of LD is to be done as per existing regulations and contractual obligation. TPC is empowered not to include LD clause in case of justifiable reasons. LD clause is not to be included in contracts/SO if the general contract/main agreement does not cater to such a clause. Extension of DP (Delivery Period) should be accompanied with levy of LD clause unless the CFA & IFA has waived it off. LD is to be recovered@ 0.5% per week, 2% per month or part thereof, maximum of 5% of the value of out standing Supply / work.

48. **Repeat Orders.** Against an outstanding indent for which acceptance of necessities has been approved by CFA repeat order can be placed with the consent of vendor as per DPM 2006 provisions.

50. **Option Clause.** Against an outstanding indent for which acceptance of necessities has been approved by CFA it may be advantageous to the IAF to have an option clause in the main contract that will allow exercising of option clause i.e. 25% of original contracted quantity (maximum 50% permissible as per DPM) in accordance with the terms and conditions of the contract. This option clause may be exercised on approval of CFA, in consultation with IFA during currency of contract. It should be ensured that there is no downward trend in the market, if no fruitful result will accrue by floating fresh Raps. And items are urgently required.

NOTING AND RELEASE OF FFE (Schedule XII- H)

Occasion: When foreign exchange (FFE) is to be paid/released

Range: All contracts finalized/to be finalized in foreign exchange.

PROCEDURE FOR FFE RELEASE

Annual Projection:

1. At the time of projection of RE/BE, each Weapon Cell is to work out the notional FE budget for the following year by taking into account the known committed liabilities as also expected fresh liabilities and the same is to be projected to DMA to reach along with RE return by 15 Nov. The weapon Cells are to indicate the contract detail where available as well as broad items of expenditure in case of anticipated liabilities.
2. The DMA is thereafter to consolidate the notional FE budget and refer to IFA for vetting and concurrence. After concurrence, the notional FE budget is to be forwarded to Dte of Fin Plg and MoD Finance as was being done in the past.
3. MoD(Fin/Bud) vide their letter No ID No 230/(6)/98/B-II dated 28 Apr 98 has issued necessary instructions to be followed for release of FFE by IFA (Air Force) and at Air HQ. The release of FFE by the CFAs at Air HQ would be made only after scrutiny of the proposal by IFA. MoD (Fin/Bud) will make available the required funds for the release on quarterly basis based on the projections made by DMA through IFA.

Quarterly Projections

4. The consolidated requirement of funds in respect of each Directorate is to be forwarded by respective ACsAS by 5th of the month preceding the commencement of each quarter. For example - funds required for the quarter Apr-Jun should be projected by 5th Mar. Similarly, for other quarters, info is to reach DMA by 5th of Jun, Sep and Dec.
5. DMA will consolidate the requirement of funds as a whole and project the requirement of the quarter to MoD (Fin/Bud) through IFA for vetting and clearance. MoD (Fin/Bud) will allocate the FFE budget for the Air Force in bulk which will cater to the entire requirement of FFE being released under delegated powers of CFAs at Air HQ only.

PROCEDURE FOR RELEASE OF FFE UPTO 8 CRORES

6. (a) There are two states in the processing of FFE cases:
Stage 1: The first stage involves sanction of the proposed expenditure by CFA from necessity angle. This sanction is to be obtained from the

CFA by the Maintenance Cell as per existing procedure.

Stage 2: The second is the procurement stage, which involves actual noting and release of FFE. Nothing of FFE by the Indentor and DDMC is primarily a confirmed commitment for making available necessary financial support in terms of foreign exchange for the purchase proposal. After the bulk allocation is made to DMA, sanction for actual release of FFE will be accorded by CFAs as per the delegated powers laid down in the MoD (Fin/Air) letter mentioned above, following the procedure as below: -

(b) Proposals Progressed by D Purchase

- (i) At the time of initiating the purchase proposal (PP) by D Purchase. the proforma for noting./release of FFE duly filled for noting/release will be placed in PP file by D Purchase for noting of same by the Indentor (Annexure I refers).
- (ii) Indentor while scrutinizing the PP as member of the TPC will place release of FFE proforma along with the one placed by Dte of Purchase confirming availability of funds, noting of cash out to year wise (Annexure II refers)
- (iii) After purchase proposal is approved by TPC/CFA, D Purchase is to send the file to DDMC for confirming availability/provisional noting of funds.
- (iv) Thereafter, DDMC is to send the file to D Purchase for placing of contract and sending the file to IFA for vetting and recommendation to CFA for release of FFE.
- (v) The CFA will accord his approval for release of FFE and forward the proposal file to IFA for noting of FFE.
- (vi) IFA is to route the file to D Purchase through DDMC so that DDMC notes the UO No/ID No in his records.
- (vii) D Purchase to send a copy of the approved FFE release proforma to Indentor for further action.
- (viii)** Channel of movement of files containing proposals for release and noting is enclosed as App 'A' to this SOP

(c) Contracts progressed by Maint Cells

In case of contractual and installment payments which are progressed by Maint Cells and not through D Purchase, the dealing Maint Cells will process the case for FFE release to IFA/CFA through DDMC. In the case of contracts in operation, dealing Maint Cells are to indicate Contract No, Amount of Contract, Advance Payment details, Balance Amount to be paid, Invoice No, Certificate regarding non-payment and receipt of stores against particular invoice, delivery schedule and liquidated damages to be imposed in cases of late

deliveries etc. In such case files will be routed as shown at App 'B' to this directive.

7. The detailed procedure for release of FFE have been issued vide MoD/Fin ID No 230(6)/98/B.II dated 28 Apr 98 and ACAS (Lgs) Directive 2/98 dated 12 Nov 98 (Copies placed as Appendices 'C' and 'D' respectively). However, the financial limits will be as enhanced vide GOI letter dated 01 Apr 02 i.e. upto 4 crores by ACAS concerned and beyond 4 crores and upto 8 crores by AOM.

Procedure for Payment Authorization for Procurement carried out under Delegated Powers i.e. upto Rs. 8 crores :

8. The present system of payment has three modes i.e. Purchase through Letter of Credit, Invoice or Bill Payment and Advance Payment. Once the sanction of the CFA is available in all these modes, the related payment will be effected by CDA on submission of requisite documents by the concerned Dte/D Purchase. Payment Authorization Letter (PAL) as per format given at Appx 'E' & 'F' along with a certified copy of FFE Release Proforma duly approved by CFA quoted with I.D./U.O. No by IFA and Form I as per standard formats will be forwarded to CDA (HQ) by the Dte. In case of payment by LC, the relevant LC Application Form duly completed should also be sent along with these documents. The specimen signatures of the authorized signatories of PAL is to be forwarded to CDA (HQ). CDA (HQ), New Delhi would prescribe a checklist of documents essentially required by them for processing of payment proposals so that there is no occasion for returning of payment proposals for want of certain documents. An illustrative checklist for opening of LCs as circulated by the office of PCDA (HQ) vide letter No 49025/FPS-I/Misc/Russia dated 18 Jul 02 is placed as Appendix G.

Procedure for Release of FFE above Rupees 8 crores for Western / CIS countries:

9. The existing procedure in vogue will be followed for the cases /indents which are valued at prices exceeding Air HQ delegated power i.e. Rs. 8 Crores. These proposals will continue to be processed in consultation with MoD as is being done presently. DGL for payment authorization to CDA (HQ) will continue to be issued by MoD only.

Denoting/Renoting of FFE

10. In case of delayed supply resulting in carry forward of financial liability to the ensuing financial year other than what was initially noted, D Purchase is to raise the fresh FFE release noting proforma and send the file to Indentor for de-noting/re-noting and placing a fresh release of FFE proforma according to period of cash outgo. Indentor is to send the file to IFA through DDMC for allotment of UO No. IFA will return the file to D Purchase through DDMC so that DDMC may note UO No in his records. D Purchase is to inform the Indentor accordingly. Where applicable a similar procedure is to be followed by Maintenance Cells for contractual/installment payments. De-

noting should be done immediately after receipt of information of delay in supplies, so that the FFE amount would be available for any other contract, during the same financial year.

11. DMA/DDMC is to ensure the following:

(a) Maintenance of an authentic and well-maintained record of all FFE notings carried out under the delegated powers, which should show separately FFE release under the following serials:

21. Aircraft
22. Aircraft - UK
23. Aircraft Spares - USA
24. Aircraft Spares – France, Russia and other countries.
25. Signals, Armament and other Electric Spares.
26. Miscellaneous.
- 26A. Assemblies and sub-Assemblies.

(b) The FFE release register should serve as a parallel record to the one maintained by IFA and hence is to be a replica of the IFA maintained register.

(c) FFE released after issue of Supply Order/Contract represents total expected FFE liability for the financial year. Against this sanction, PALs as and when issued by Weapon Cell/D Purchase and received by DDMC is to be entered in the FFE register and this is to be treated as cash outgo and compared/tallied with PCDA(HQ) records.

(d) To prepare and send a monthly summary of the FFE releases noted against each of the serials in the form of report to IFA so as to reach him by 5th of the following month.

(d) PCDA(New Delhi) would be sending a monthly report giving the actual FFE outgo both to IFA and DMA. The records are to be tallied and discrepancies are to be sorted out mutually between PCDA(HQ), IFA and DMA.

12. Details /Documents to be submitted with each case for FFE release

(a) FFE release proforma

(b) Contract copy or copy of order

(c) Confirmation that all contractual obligations have been met, documents like BG for advance payment and performance-cum-warranty bond have been submitted in the format prescribed in the contract/supply order, and that this payment has not been made earlier, no dues are to be recovered from the firm and that LD wherever applicable has been deducted

(d) Confirmation on availability of funds

(e) Draft Payment authorization letter

13. Check list for IFA and CFA

- (a) To verify if the FFE release being sought is as per the contractual obligations.
- (b) To ascertain correctness of the amount being released.
- (c) To ensure that funds are available to meet this requirement.

Fresh Proposals

The enhanced financial powers have been vested with Air HQ in respect of both Western as well as CIS countries. Hence, all fresh proposals upto Rs. 2 Crores are to be routed through D Purchase by Maint Cells.

FFE should be got released only after obtaining the approval of CFA strictly as per norms and conditions of the contract and delivery schedule. In case the payment is to be released through LC, the same may be opened at appropriate time, so that minimum expenditure is incurred towards bank charges.

Procedure for payment authorization for procurements carried out under Delegated Powers i.e. upto 2 crores.

The present system of payment has three modes i.e. Purchase through Letter of Credit, Invoice or Bill payment and Advance payment. Once the sanction of the CFA is available in all these modes, the related payment will be effected by CDA on submission of requisite documents by the concerned Dte/D Purchase. Payment Authorization Letter (PAL) as per format given at Appx C&D along with a certified copy of FFE Release Proforma duly approved by CFA quoted with I.D./U.O. No. by IFA and Form I as per formats given at Annex III to this Directive will be forwarded to PCDA (New Delhi) by the Dte/D Purchase. In case of payment by LC, the relevant LC Application Form duly completed should also be sent along with these documents. The specimen signature of the authorized signatories of PAL is to be forwarded to CDA HQ. PCDA New Delhi would prescribe a check list of the documents essentially required by them for processing of payment proposals so that there is no occasion for returning of payment proposals for want of certain documents.

Procedure for Release of FFE above Rs. 2 Cores for Western/CIS countries

The existing procedure in vogue will be followed for the cases indents which are valued at prices exceeding Air HQ delegated power i.e. Rs. 2 Crores. These proposals will continue to be processed in consultation with MoD as is being done presently. DGL for payment authorization to CDA HQ will continue to be issued by MoD only.

Denoting/Renoting of FFE:

In case of delayed supply resulting in carry forward of financial liability

to the ensuing financial year other than what was initially noted, D Purchase is to raise the fresh FFE release noting proforma and send the file to Indentor for denoting/renoting and placing a fresh release of FFE proforma according to period of cash outgo. Indentor is to send the file to IFA through DDMC for allotment of U.O. No. IFA will return the file to D Purchase through DDMC so that DDMC may note U.O. No. in his records. D Purchase is to inform the Indentor accordingly. Where applicable a similar procedure is to be followed by Maintenance Cells for contractual/Installment payments. Denoting should be done immediately after receipt of information of delay in supplies, so that the FFE amount would be available for any other contract maturing in the same financial year.

DMA/DDMC is to ensure the following:

(a) Maintenance of an authentic and well maintained record of all FFE notings carried out under the delegated powers which should show separately FFE release under the following serials.

21. Aircraft
22. Aircraft Spares – UK
23. Aircraft Spares – USA
24. Aircraft Spares – France, Russia and other countries
25. Signals Armament and other electric spares.
26. Miscellaneous
- 26A. Assemblies and sub-Assemblies

(b) The FFE release register should serve as a parallel record to the one maintained by IFA and hence is to be a replica of the IFA maintained register. Format is given at Annexure II to MoD letter.

(c) FFE released after issue of supply order/Contract represents total expected FFE liability of the financial year. Against this sanction, PALs as and when issued by Weapon Cell/D Purchase and received by DDMC is to be entered in the FFE register and this is to be treated as cash outgo and compared/tallied with CDA (HQ) records.

(d) To prepare and send a monthly summary of the FFE releases noted against each of the serials in the form of report to IFA so as to reach him by 5th of the following month.

Check list of opening Letter of Credit (Appendix 'G')

1. The Govt. letter or sanction of other competent authority (5 copies including ink signed) authorizing payment and conveying the sanction for opening of LOC attached and the Govt. sanction or sanction of other competent authority or the agreement specifically indicating PCDA, New Delhi as the paying authority.
2. The relevant contract clause under which the payment has been authorized to indicated in the Govt. sanction or sanction of other competent authority.
3. The name, complete address, telex/fax, phone number of the beneficiary with Banking particulars including Account Number are quoted in the Govt. sanction of other competent authority.
4. Codes for classification of expenditure are clearly mentioned in sanction letter to booking to correct code head on receipt of debit advice from bank.
5. Concurrence of Ministry of Defence (Finance)/IFA as the case may be obtained in respect of FFE release and particulars of its noting by DGA(budget) No./UO No. and date are clearly indicated in the sanction.
6. Annexure D containing details of contract of payment are attached in quadruplicate.
7. The party who will bear bank charges should be indicated in the contract/SA sanction or sanction of other competent authority/Annexure 'D'.
8. Format for declaration cum undertaking (under section 10(5) chapter III of the Exchange Maintenance Act 1999) is attached.
9. Application and Guarantee for issue of documentary credit on form No. 2 is attached in quadruplicate (FD Swift-700).
10. Form No.2 is correctly filled in, indicating the type of contract, amount of nomenclature, quantity the list of documents to be presented for payment the transshipment. Contract No. and validity period of LC etc. Complete address of consignee/lading office should be given. These details will be checked with reference of the contract.
11. Whether the stores are to be dispatched on FOB basis or CIF basis. In case the stores are to be dispatched on CIF basis submission of Insurance Policy is to be indicated in Form No.2.
12. The documents required to be submitted by the seller to the bank

should be indicated clearly and completely.

13. The LC is opened as per terms and conditions of the contract. The type of LC viz. Confirmed/Irrevocable/Transferable/Divisible etc. should be clearly specified. (If the LC is to be confirmed at the Buyer's cost the case should be submitted to Group Officer for orders as the confirmation charges are high).

14. It will be checked and ensured that the amount for which opening of LC has been authorized as per Govt. letter is covered by the provisions of contract/AA/SA.

15. Cuttings/over writings should be avoided and if any, should be authenticated under full signatures.

16. The specimen signature of the signatory should be forwarded to the PCDA, New Delhi, in advance. The officer signing the documents should also note his name, designation, telephone/fax number (affix a stamp) to facilitate contact, if required.

17. Whenever there is a proposal to extend the validity of LC, it will be seen whether, the extension is at the request of the supplier and whether the supplier will bear the extension charges. Since extension of LC affects the delivery schedule, it will be seen whether it attracts the provisions of LD clause. It will further be seen whether LD has been exempted or action has been initiated to recover the same.

18. On receipt of information regarding payment against the LC through debit advise from the bank, action will be taken to compile the expenditure to correct head of account, immediately on receipt.

RELEASE OF FFE PROFORMA

1. Sl. No.
2. File No.
3. Directorate
4. Nomenclature of Store/Cont

5. Sl. No. under which the foreign exchange is required to be noted
(in case of FFE)

6. Name of the country

7. Mode of payment: LC/DBT/Invoice etc.
 - (a) If LC, type of LC _____
 - (b) Period of validity _____
8. Terms of payment
 - (a) (i) Advance payment _____
 - (ii) Balance to be paid _____
 - (b) Payment made if any
 - (i) Amount paid _____
 - (ii) Balance to be paid _____
9. Whether the budget provision has been made during the Current financial year ? _____
10. Budget Code Head MAJOR HEAD _____
MINOR HEAD _____
CODE HEAD _____

11. Amount to be noted in foreign currency_____

12. The FFE released asked for _____PDS

(a) Contract entered into upto 31 Mar

(b) Fresh commitments

Whether the expenditure is of Maint/Scheme

13. This is a case of new commitment i.e, of current financial year out of the allocation Rs.....lakhs noted.

With the present case involving release of Rs_____lakhs out of SBE (2001-2002) Rs_____lakhs will be left.

14. The likely year-wise cash outgo in this case will be as under:-

(a) Total value of item _ Rs_____lakhs

(b) Cash outgo in 2002-03 – Rs_____lakhs

(c) Cash outgo in 2003-04 – Rs_____lakhs

(d) Cash outgo in 2004-05 – Rs_____lakhs

(e) Cash outgo in 2005-06 – Rs_____lakhs

(f) Cash outgo in 2006-07 – Rs_____lakhs
(Current Exchange rate = _____ Date_____)
Exchange Rate adopted_____

15. Contract No._____dated_____

Signature of the Sponsoring Officer

INTRODUCTION OF NEW ITEMS FOR MAINTENANCE (Schedule XII (K1))

1. Occasion: The provision under sub-schedule XII (K 1) is applicable for introduction of new items not already authorized/scaled. The powers to sanction expenditure up to Rs 01 crore by ASEPC Maint (AOM) are to be exercised in consultation with IFA, Air HQ and up to 03 crores are to be exercised by DCSA as chairman ASEPC in consultation with IFA.
2. Range covered: Any item/equipment required for maintenance/IAF use.
3. Budgetary Support: The budgetary support for items readily available in the market is to be provided by the designated Maintenance cell for the concerned weapon system from respective revenue code head.
4. Procedure: The following procedure is to be followed for introduction of new items:
 - (a) An SOC is to be raised in accordance with Org Memo 37/86 dated 21 Nov 87 by the unit/Depot and forwarded to command HQ.
 - (b) The SOC duly vetted by Command HQ is to be forwarded to the concerned Maintenance Cell at Air HQ.
 - (c) The "In principle" approval is to be obtained by the concerned Maintenance Cell at Air HQ.
 - (d) The maintenance cell is to refer the case to DMA to allocate a vocabulary number to the item before forwarding the SOC to Dte of standardization and Dte of Value Engineering. This vetting is to be completed within 07 days.
 - (e) The case will then be referred to DGAQA/AHSP to be designated by ACAS (MP)/ACAS (Lgs) for technical and non-technical stores respectively. This vetting to be done within 15 working days.
 - (f) Before forwarding the case to IFA, the budgetary commitment is to be made by the concerned Maintenance Cell and the recommendation of penultimate CFA may also be obtained. Financial scrutiny should be completed within 15 working days.
 - (g) After obtaining IFA's concurrence, the case is to be put up to AOM/DCAS for final approval. IFA and /or AOM/DCAS may if required convene a meeting of ASEPC/ASEPC members before approving the case.
 - (h) Once an item is thus inducted in service, the case will be referred to ACAS(MP)/ ACAS (Lgs) for inclusion in Air HQ Routine Order Part IV.
5. The above approval would constitute necessity angle approval based on which procurement is to be done on guidelines given in Schedule XII D,E,and F.

UPGRADATION / REPLACEMENT PURCHASE OF SCALED EQUIPEMNT
(Schedule-XII (K2))

1. **Occasion:** Replacement of existing maintenance scaled item with an improved version will be considered with **prior concurrence of IFA**, among other thing, in following circumstances,

- (a) If existing item is out of production.
- (b) If existing scaled item is redundant.
- (c) If new version is cost effective.

2. **Range covered:** All scaled Air Force stores required for Maintenance activities.

3. **Procedure:**

(a) Procedure for obtaining necessity angle approval as per Maint SOP is to be followed except that justification for procurement of replacement should be clearly brought out including financial, operational & maintenance advantages for approval of CFA and concurrence of IFA.

Note:- The stock position of existing stores/Financial value and utilization/disposal of existing

4. In all **cases** of up gradation/ replacement, IFA will be involved right from the stage of acceptance of necessity, determining mode of tendering, selection of vendors, vetting draft TE/draft Supply Order, TPC /PNC and in post contractual matters.

5. IFA will examine such cases among other things with regard to book value, year of purchase, hours used, expenditure incurred on repairs/overhauls/renewals/indicating any special infrastructure created, depreciation, obsolescence of technology etc. keeping in view the overall cost-effectiveness

6. IFA will check that such cases are dealt following two Bid system, inviting separate technical and commercial bids. These should be evaluated by TEC and TPC constituted separately for this purpose. It is to be ensured that requirement of two bid system is specified in T.E

Powers to approve proprietary purchases from Necessity and Expenditure angle (Schedule XII (M))

1. Schedule: Schedule XII (M) **for proprietary purchases,**
2. AOM and his subordinate CFAs will exercise powers in case of centralized ranges and AOC in C HQs MC and his subordinate CFAs in case de-centralized ranges.

Range

3. These powers are to be utilized for all maintenance requirements related aircraft and weapon systems, its associated support equipment, MT and also for clothing, Barracks equipment and all type of stores and do not relate to local purchase which is regulated by schedule VIII (E).

Occasions

4. The powers are to be used when procurement of items is to be done from one vendor only.

(a) **Determination of proprietary Article and issue of PAC:** All articles related to aircraft & weapon systems are to be treated as proprietary if

(i) 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.

(ii) If item is to be procured from defence PSUs and no other indigenous agency is registered for supply of the item.

For all other ranges of items to establish that an article is in fact a proprietary article appropriate process of documentation has to be followed. Brand name of such an article should never be used. Only generic name with adequate tech specification details should be used. The specification also should be drawn up by the user with experts available in the Air Force or other organs of Govt of India and not wrt any details provided by a supplier/private manufacturer etc.

(b) Before issue of any PAC all such documents should be consulted and IFA concurrence obtained along with necessity angle approval. Any such PAC must not be signed by any officer below the level of a Director at Air HQs / SLMO at HQs MC / C Lgs O at Depots. The certificate should issue on the format prescribed in Appendix 'B' to leaflet No.12 IAP 1541 duly modified, indicating UO No. and date of IFA.

5. For procurement of items on proprietary basis, the procedure for obtaining necessity angle approval as laid down for schedule XII a, B and C (as applicable) at Air HQ and HQ MC is to be followed. A proprietary article

certificate (PAC) is to be attached along with documents to be forwarded to IFA/CFA while obtaining necessity angle approval. The routing of the case and the time limits for processing of the case would be as per schedule XII A, B and C. For expenditure angle sanction procedure laid down for XII D, E, F, G will be followed.

6. Proprietary Purchase at ED / BRDs (for decentralized ranges only): The depots can undertake proprietary purchase of indigenous items from Defence PSUs, upto a maximum of Rs. 1 Crores under the delegated financial powers. For procurement from all other indigenous sources up to Rs 1 crore the following procedures to be adopted (Financial concurrence would be given by AOC / CO of the depots in consultation with LAO):

(a) For Air-borne Items. For air borne items for procurement on proprietary basis upto Rs. 1 Crore, the O I/C indigenisation at BRD/CLO at ED is to certify that the item is proprietary to the particular firm and that no other vendors exist for the particular item. Details of items as well as reasons for its proprietary purchase along with the financial sanction documents are to be referred to HQ MC for proprietary purchase clearance. AOC-in C, HQ MC is to accord proprietary purchase clearance in consultation with IFA & issue a letter of authority to AOC / CO of the depot. C Indg Officer is to be consulted before according a clearance. The procurement of the items there after is to be undertaken as per SOP of schedule XII A, B, C for acceptance of necessity angle sanction and schedule XII D, E, F, G for expenditure angle sanction.

(b) For Non Air Borne Items. For procurement of non air borne items on proprietary basis within Rs. 1 Crores for decentralized ranges, after necessity angle sanction is obtained AOC / CO of depot are to refer the case to HQ MC to accord proprietary purchase clearance in consultation with JCDA. After necessity angle approval the procurement can be undertaken by ED/BRD under the procurement powers under schedule XII (F) and as per SOP related to schedule XII D, E, F and G.

**POWER TO DECENTRALIZE INDIGENOUS PURCHASE NORMALLY
UNDERTAKEN CENTRALLY BY AIR HQs/HQs MC (Schedule XII- N)**

(Powers to decentralise purchase on administrative grounds)

1 These powers are to be utilized in case the provisioning and procurement responsibility of the weapon system has not been de-centralized to HQs MC / Depots / Units. Procurement in such cases can be decentralized to HQs MC under normally under following circumstances

- (a) If HQs 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 HQs MC or the depot / Unit while forwarding their proposal are to give reasons why the procurement should be de-centralized. The Maint cell at Air HQs are to obtain necessity angle approval as per normal procedure as given in schedule XII A, B & C based on which it is to issue a letter of authority de-centralizing the purchase. HQs MC/ Depot / Unit is to undertake the procurement as per normal procedure through TPC as given in schedule XII D, E, F & G.

DECENTRALIZATION OF PROVISIONING RESPONSIBILITY TO HQ MC

1. **Occasion:** These powers are to be utilized for decentralization of provisioning and indigenous procurement responsibility from Air Hers to HQ MC.
2. **Range:** The complete range of IAF equipment is to be covered in a phased manner.

Procedure

3. The decision to de-centralize provisioning and indigenous procurement for any range of equipment to HQ MC or Depot shall be taken twice a year i.e. on 01 Apr and 01 Oct of each year till the process is completed.
4. The decision to decentralise any range of equipment will be taken by a committee consisting of:
 - (a) AOC-in-C HQ MC

- (b) AOM
- (c) IFA Air HQrs
- (d) IFA HQ MC
- (e)** DMA – Air HQrs – Secy and Convener

5. ACAS (Air HQrs) and SMSO, HQ MC and AOLM, HQ MC are to forward their proposals for decentralisation by 15 Feb and 15 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.

6. 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 at least 15 days in advance of the committee meeting. DMA is to fix a date for the meeting in April and October in consultation with all the committee members. The meeting is to be held at either Delhi or Nagpur or any location as convenient to the committee members.

7. Based on the decisions 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 endorsed to CGDA.

8. DMA is to take up the issue through a SOC with DPP for transfer of the establishment from Air HQ to HQ MC within 15 days of the decision of the committee meeting.

9. The Committee is to also review the implementation of the decision taken on decentralization in the previous meeting of the committee.

10. DCAS and AOC-in-C HQ MC, IAF to take up infrastructure and manpower requirements with CGDA for IFA at Air HQ and HQ MC..

11. HQ MC is to re-structure their functioning to the Maintenance Cell concept on similar lines as at Air HQrs. This is a mandatory pre-requisite for further and future decentralization.

12. The time schedule for implementation on the decentralization of each system should be finalized by the committee in each of their meetings.

13. The committee decisions should be unanimous and differences if any are to be resolved mutually through consultations.

**Powers to place AOG/PHU/MCM requisition on Defence PSUs for
Indigenous Items (Schedule: XII (Q))**

1. Powers to place AOG/PHU/MCM requisition on Defence PSUs for Indigenous items to AOC /CO Depot /AFLE.
2. **Areas / Ranges:** This schedule (sub- schedule) shall cover the Rotables / Repairable/ LRUs / Maintenance & Component level Spares pertaining to weapon systems Produced / Supplied / Repaired & Overhauled / Fabricated by M/s HAL & M/s Bharat Electronics and other Defence PSUs.
3. **Occasions:** 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 priority from Defence PSUs mainly M/s HAL and M/s BE subsequent to realising that spares or their In-lieu's are not immediately available to meet AOG/PHU/MCM demand.

Budgetary Support & Management:

4. Expenditure is debitible to Major Head 2078, Minor head 110(a) & (b) of the Defence Service Estimates.
5. Code Heads pertaining to Repair and Supply of spares from M/S HAL are different; therefore, the correct code heads are to be mentioned while raising the RMS Order. Payments are to be made as per existing procedure for HAL. In case of M/s BE where orders are placed by the Depot/AFLE the bills are to be forwarded to JCDA Nagpur for payment. The concerned Depot/AFLE is to include requirement of funds for this purpose in its. Forecast estimates and PR/PRE/RE/MA. HQMC will centrally monitor and manage these funds for all depots.
6. Regarding IFA concurrence at this stage of fund projection detailed guidelines as given in SOP covered under schedule XII (H) should be followed.

Procedure & Follow up of raising Requisitions / Orders:

7. This procedure is applicable for Defence PSU only, when non availability of stock has been certified by the concerned depot. In case stocks are not available with the depot against an AOG/PHU/MCM on a requisition is to be raised on the concerned defence PSU within 2 working days of receipt of the demand. The reasons have to be elaborated as to how item have become MOG/PHU/MCM.
8. Quantity to be requisitioned from the PSUs is to be worked out as follows:

- (a) Qty 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
9. Estimated cost need to be worked out w.r.t LPP/Budgetary quote/price lists. Requisitions are to be directly submitted to the concerned division at M/s HAL or M/s BE by the most expeditious means. A copy of the requisition is also to be addressed to the IFA/JCDA/LAO concerned if cost is beyond the financial powers of the depot/AFLE without concurrence. Separate formats are to be used for Rotables/ Repairable and other items. Prices will be indicated in the requisitions w.r.t LPP /budgetary quotations/price lists of PSUs.
10. RMSOs/Supply Orders are to be raised after due vetting by IFA within 30 days of receipt of price details from the PSU. If the cost of order is within the Delegated Financial Powers of the AOsC/ CO of BRD / ED / AFLE, the terms and conditions of the orders are to be vetted by IFA inconsonance with existing policy. Procedure for raising covering RMSO/SO is given below:-

Price / Terms received on Requisitions from the PSU

11. Within 3 days of raising the requisition the AOC/CO of the depot/AFLE raising the requisition is to ascertain if costs are available in FPQ/price list. In case price is not available in FPQ/price list the AOC/CO of the depot/AFLE is to seek cost details from the PSU within 3 days of raising the requisition. Pricing of HAL is to be done as per existing MOD guidelines in consultation with IFA..
12. On receipt of price details along with the terms & conditions of supply from the PSU Unit may submit all documents viz. quotation of the PSU and other supporting documents to IFA for his security/ concurrence IFA will examine the following facts:
- (a) Whether the price quoted is within the delegated financial powers of the AOsC/ CO of BRD / ED /AFLE.
 - (b) Whether the price quoted is beyond the delegated financial powers of the AOsC/ CO of BRD / ED /AFLE.
 - (c) Whether Prices quoted are reasonable among other thing with reference to LPP/Price Lists/ Budgetary or terms & conditions meet a reasonable time frame of supply for clearance of the AOG / PHU / MCM.

Actions to be Taken in case the FPQ/Price List Price or Price Quoted is within Delegated Financial Powers of the AOsC/ CO of BRD / ED /AFLE.

13. A covering RMSO/order is to be raised against the specific requisition after obtaining concurrence from the IFA if the value of order is beyond Rs 1,00,000/- (Rs One Lac) but less than Rs 10,00,000/- (Rs Ten Lacs). Concurrence from the IFA is not required if value of order is less than Rs 1,00,000/- (Rs One Lac). While putting up the case to CFA and/IFA the following details should be clearly brought out:
- (a) Details of items on AOG, qty on AOG and demand details.
Efforts should be made to explore availability from other service sources.
 - (b) Inability confirmation
 - (c) Details of the requisition raised.
 - (d) Cost details and confirmation as to reasonability of cost with regard to LPP/Price Lists/ Budgetary quotation.
 - (e) Reason why additional qty is being procured or MOQ/EOQ requirement (if applicable). However efforts should be made to procure as per actual requirement only.

Actions to be Taken in case Price Quoted is beyond Delegated Financial Powers of the AOsC/ CO of BRD / ED /AFLE.

14. Subsequent to receipt of price details or if the FPQ/Price list price is available, if it is realized that the quoted price is beyond the powers vested with the depot commander / AFLE, the quote is to be forwarded to Air HQ (Maint Cell) along with details at para 12 (a) to 12(e) for obtaining concurrence and approval from Appropriate Competent Financial Authorities MoD along with view of local IFA i.e. ACDA/LAOs .
15. Extension of validity of price at least for a period of 90 days is to be initiated by the concerned depot / AFLE for such requisitions. After approval of Appropriate Competent Financial Authorities MoD and MoD (Fin) the order will be raised by Air HQs copies of which are to be forwarded to the Depot /AFLE concerned.
16. The Depot / AFLE is to then progress the order to its logical end under intimation to the concerned provisioning cell at Air HQs.

TPC/PNC

17. AOC/CO, Depot/AFLE, and IFA i.e. LAO, observe that the prices or other Terms & conditions including PDCS quoted against the requisition are high/unreasonable, a Unit level TPC comprising amongst others, IFA i.e. LAO will negotiate the price/terms with the PSU unless Govt. approved Price List already exists for HAL Items. A detailed brief for PNC should be circulated to all members of TPC, including IFA, i.e. LAO three clear working days in advance along with subject file. In case the issue cannot be resolved through negotiations the issue is to be referred to the Maint cell at Air HQ who will take up the matter with PSU for resolution. IFA is to be involved in all negotiations. An effort should also be made to ascertain from the OEM, the price and delivery schedule. In case prices are high and delivery schedules are not acceptable, the case may be referred to HQ MC along with views of LAO. LD Clause is to be included in supply order.

Concurrence of IFA

- 18 IFA i.e. ACDA/LAO will examine the quotation of the P.S.U/ He may critically examine the reasonability of rates, among other things, with regard to LPP, budgetary quotations, price lists or cost-break up i.e. labour, material overheads to be obtained from P.S.U.

IFA should ensure that during PNC, PSU invariably submits details of cost break-up for manufactured items and necessary documents in proof of reasonability of rates. IFA may ensure that PSU submits a list of bought-out items and a list of manufactured items separately. In case of high value bought out items, detailed information as to source of supply, handling/departmental charges of PSU, price of the bought out items with regard to invoice is to be called from PSU.

IFA may advise in cases where PSU quotes unreasonable high rates for high value bought out items, it is expedient to negotiate in such rates with PSU and OEM/its representative of bought-out items in PNCs. The minutes of all such PNCs, including specific advice rendered by IFA, are to be maintained and minutes of such PNC should be signed by all members, including IFA, i.e. LAO. Reasonability of rates is to be clearly bought out in minutes.

IFA will vet covering draft RMSO/SO with regard to PNC minutes if

any, rates, terms and conditions of supply such as delivery schedule, liquidated damage, warranty/guarantee, payment terms etc. After vetting, IFA will record UO No. and date of his office in Draft RMSO.

- 19. Follow up Action by BRD/ ED/ AFLE on RMSO :** Depot Commanders / AFLEs are to evolve an information system with the concerned PSUs to monitor the progress of all RMSOs placed on spares required on AOG / PHU / MCM priority on a monthly or once in two months basis and conducting meetings with the concerned HAL based on which minutes are to be issued .IFA should invariably be associated in such follow up action and meetings.
20. The concerned provisioning agency at Air HQs, Controlling Command HQs and HQ MC, IAF are to be kept informed on the progress of RMSOs by 05th of the succeeding month.
21. Close liaison with the PSU by Depot is envisaged for a pro- active advancement of PDCs. Action to be Taken in case of delay / Clearance of placement of Order beyond 30 days.
22. Delay in placement of order within the stipulated time frame can occur due to:
- (a) Observations / clarifications required by the IFA/ CFA. In such cases the issue is to be discussed and queries resolved through discussions. The record of discussions is to be minuted.
 - (b) Reasonability of the terms & conditions and price is to be negotiated with PSU. In such cases the time limit of 30 days starts from the day the price is negotiated. IFA should invariably be consulted on all such matters where such financial powers are with the concurrence of IFA.
 - (c) The quote / terms have been referred to Air HQs for approval as it is beyond financial powers of depot/AFLE.
23. Actions required to be taken by the Depot Commanders / AFLEs in such case are:
- (a) Initiate extension of price validity.
 - (b) Expedite the issue with IFA or Air HQ or PSU as necessary.
24. Documents to be submitted for CFA/IFA (wherever financial powers are with the concurrence of the IFA)
- (a) Details of items on AOG, qty on AOG and demand details
 - (b) Inability confirmation

- (c) Details of the requisition raised
- (d) Cost details and confirmation reasonability of cost.
- (e) Reason why additional qty is being procured or MOQ/EOQ requirement
- (f) All the spares should be priced based on LPP. If not available
- (g) Assessed price be duly authenticated by specialist technical officer.
- (h) Details of dues in, if any.
- (j) Availability of funds in relevant Code Head.

ISSUE OF FORECAST FACTOR (SCHEDULE-XVII (D))

1. **Occasion:** Once every six months for issue of Forecast Factor on 1st Jan and 1st Jul every year. The case for issue of factor is to be processed and issued by DMA after concurrence of IFA and approval of CFA.
2. **Range:** Forecast factor is to be issued for all aircraft range and weapon systems as well for clothing and Barrack stores. The procedure for issue of forecast factor for aircraft system is to be followed as given in the succeeding paras.

Planned UE

3. Planned UE for each type of aircraft in service covering a period of 5 years or more as required will be made available to DMA by Directorate of Plans and Programmes. Planned UE in respect of aircraft being phased out will be duly annotated as "Life of Type".

Assets

4. Month-wise actual assets of each type of aircraft will be provided by Air Force Statistical Organization to DMA. For the purpose of calculation of forecast factors, planned UE or actual assets, whichever is less is to be taken into account.
5. Assets awaiting approval as Cat "E" should however be specifically indicated.
6. Moreover, assets should take into account planned future build-up including upgrades during the period for which the forecast factor is being issued. This input is to be obtained by DMA from DASR.

Authorized Planned Flying Hours

7. The monthly rate of effort for each type of aircraft is laid down by the Directorate of Plans. The authorized planned flying hours is calculated by multiplying the planned UE or assets (whichever is less) by the rate of effort for the authorized MPE.

Adoption of Rate of Effort

8. Forecast factor for each type of aircraft will be calculated on the basis of approved percentage rate of effort.

Calculation of Fore cast Factor for Aircraft

9. The basic formula for calculation of FF is:-

$$EF = \frac{\text{Planned UE or Assets + Dues - in x Rate of effort x MPE period}}{\text{Flying hours done in last 12 months}}$$

(whichever is less) (per ac per month)

11. The drill for calculations for one period is illustrated in Appendix “A” to this SOP.

Calculation of Forecast Factor for Ranges other than Aircraft

12. The formula for calculation of FF for ranges other than aircraft are placed at Appendix “B” to this SOP.

Routing of case Files

13. The case files are to be initiated by DMA. Inputs required from ACAS (Ops) are to be obtained on these files. There after, the files are to be routed through the respective ACAS of the Maintenance Cell (For which the fore cast factor is being calculated) for recommendations. Thereafter, the files will be put up for approval of CFA after concurrence by IFA. After approval of CFA the letter of authority for issue off will be signed and issued by DMA. A copy of the letter should be addressed to all maintenance cells, HQMC and depots under HQMC.

14. Documents to be provided to CFA and IFA

The following documents are to be submitted to CFA and IFA along with the case

- (a) Planned UE details as provided by D plans
- (b) Actual assets as provided by Air Force statistical organization
- (c) Assets awaiting approval as Cat “E”.
- (e) Dues-In of assets as provided by DASR.
- (f) Rate of effort as provided by D plans
- (g) Approved percentage rate of effort.
- (h) Working sheet for each aircraft/weapon system/stores as per Appendix A& B of the SOP
- (i) Draft letter of authority for issue of the SOP.
- (j) In case of delay i.e, non adherence to time schedule, a delay report by signed by ACAS (Lgs) should accompany the case.

15. Check list for IFA and CFA

- (a) to check if all documents as per para 15 are enclosed.
- (b) to ascertain and judge if ROE is realistic and achievable and would not lead to over provisioning.
- (c) to ascertain if major changes like upgrades, phasing out etc have been catered to in the process.
- (d) to carry out a sample check of calculation of forecast factor
- (e) if the additional cushion as shown in Appendix 'A' is pragmatic.

DECLARATION OF IAF STORES AS SURPLUS

SCHEDULE XVII (F)

AOM will exercise powers in case of centralized ranges and AOC in C HQs MC in case de-centralized ranges.

Occasions for Raising Surplus Reports

1. Surplus Reports are to be raised on the following occasions: -
 - (a) Whenever a PR / SR is raised.
 - (b) Whenever a major assembly is declare obsolete.
 - (c) Whenever a mod is introduced.
 - (d) Whenever an upgrade is introduced.

Ranges covered

2. This SOP shall cover all Air Force stores and equipment.

Definitions

3. **Surplus Stores.** Stores, which cannot be utilized against present or anticipated future requirement. These will include inactive stores for purpose of disposal. These will also include stores, which are rendered pre-mod due to modifications or upgrades.
4. **Obsolete Equipment.** When an equipment has been withdrawn from service due to technical inefficiency to carry out the intended work. This includes items: -
 - (a) For which required role has disappeared.
 - (b) That has been completely superseded by another equipment.
5. **Obsolescent Equipment.** An equipment is declared obsolescent when no further provisioning is carried out, because: -
 - (a) A prototype of successor equipment has been formally accepted.
 - (b) An equipment, though obsolete, is required to be retained to meet tactical/technical training or other special requirement.

6. Active stores shall consist of

- (a) All spares pertaining to Current Aircraft and major ground signal installations (like Radars, Transmitters receivers, generators, machine tools, specialist vehicles etc) in service in the Air force irrespective of whether there has been issues or not.
- (b) All other equipment on which there have been issues from the stock holding units during the past three years.
- (c) Equipment not falling under (a) and (b) above which may be required in an emergency.
- (c) Valuable and attractive items shown in IAP 1501, Appendix `F' shall continue to be held and accounted for as active stock.

7. Inactive stores shall consist of

- (a) All aircraft major ground/signal equipment withdrawn from the service and their specific to type spares, ground and ancillary equipment.
- (b) Obsolete equipment declared by issue of Air HQ Routine Order Part IV including salvage.
- (c) Equipment put up for disposal under orders of competent authority.

Procedure For Declaring Surplus At Depots (Current Items i.e. Active Stocks)

8. Active stores cannot be declared surplus at unit level. Authority for declaring such items surplus rests only with mother/ repair depots. Active stores can be declared surplus only during the process of raising Provisioning Reviews. Current Annual requirement (CAR) is to be taken into account while initiating action for declaring Active Stores surplus. Action to be taken for Class B & C stores will depend upon whether an item has CAR or not. Similarly, action can also be taken for items, which can be repaired.

i.e. Rotables and Class A items. Following cases will emerge:-

- (a) CAR=0: CAR in respect of Class B & C items is based on five years recurring consumption. In case there is no recurring consumption during last five years CAR would be zero and following actions are to be taken: -
- (i) Check, if it is an insurance item. (Role equipment, armament, structural components, war reserves etc fall in this category). If it is an insurance item then take a note of quantity to be held as insurance. Check whether stock exceeds the insurance quantity? If yes, then the net surplus is to be worked out. If the stock is less than the insurance quantity then necessary provisioning action is to be initiated to bring the assets (stock + dues in) to insurance quantity.
 - (ii) Check if the item has been procured against any programme requirement. If yes the quantity so procured is also to be segregated and kept earmarked. In case stock is less than the programme requirement then necessary provisioning action is to be initiated to bring assets (stock + dues-in) to programme quantity.
 - (iii) If the item is an insurance or against programme requirement item, such quantity is to be retained and balance quantity is to be considered for declaring surplus **and listed as such.**
 - (iv) If the item is not insurance or programme requirement the complete quantity is to be considered for declaring surplus and listed as such.
- (b) CAR>0 : Item is not to be considered for declaring surplus in case the procurement is less than five years old and consumption data for such period is not available. If item has positive CAR and available stocks are beyond MPE and O i/c Provisioning considers the necessity of initiating case for declaring the item surplus, following actions are to be taken :-

- (i) Check if it is an insurance item. Also check if it is programme requirement.
- (ii) Quantities corresponding to these requirements are to be retained. The time period to be considered for calculating the retention quantity is shown in Appendix 'A' to this SOP.
- (iii) CAR (Current Annual Rate) = Consumption for 5 years divided by five.
- (iv)** FF for MPE corresponding to 57 months is to form basis for working out retention quantity. The FF is to be converted to 12 months FF by dividing the FF of 57 months by 5. Wherever the FF is not available, retention quantity is to be calculated presuming FF for 12 months period as ONE. One example of calculations of retentions quantity are as follows (All Figure hypothetical):

(aa)Aircraft Item

CAR	= 05
FF Corresponding to MPE of 57 months	=4.5
∴ FF or MPE of 12 months	= 4.5/5
Life of aircraft	= 10 years
Stock	= 150
∴ Retention Quantity Calculation	
Retention period (Appendix 'A' refers)	= 10 years refers
∴ Retention quantity	
	= CAR X FF for 12 months x retention period in years
	= 5 X(4.5/5)X10 = 45

∴ Quantity surplus to Retention period quantity	= 150-45 = 105
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- (v) Complete Appendix 'B' to these instructions for working out the quantities to be considered for declaring surplus and list such items. It is to be noted that insurance and programme requirements over and above the retention period quantity are to be retained and only the balance quantities are to be considered for declaration of surplus.
- (c) Items Capable Of Being Repaired Check if any of the items listed, falling in the category of Rotables and class 'A' stores are held beyond requirement and are to be considered for declaring surplus. Such items can not be declared surplus based on CAR. The retention period requirement of such items would be based on wastages (ex yield of repairs). Following actions are to be taken:-
- (i) Total scale for IAF + wastage during retention period, is the quantity to be retained and balance is to be considered for declaring of surplus. Wastage during retention period will be calculated as follow: -

Wastage during retention period	=	Average Annual Repair/OH X Wastage Rate X Retention Period
		100

- (ii) In case of class 'A' items where scales are not laid down, wastage during retention period as above is to be calculated. Depot scale based on average quantity for repairs, percentage yield of repairs and demand patterns is to be fixed. The retention period requirement in such cases would be depot scales + wastage during retention period.

- (iii) While calculating the retention period only that much of stock of repairable items is to be taken into account, which can be converted into serviceable stock (Based on yield of repair).
- (iv) In case serviceable stock is more than the retention period quantity the repairs/overhaul of items is not be undertaken.
- (v) Items, which are to be considered for declaring surplus, are to be as listed as per Appendix `C' to this procedure.

9. Flow Chart for declaring Active class `B' and `C' stores is shown at Appendix `B' to the procedure. For Class `A' and Rotables, similar procedure is to be followed.

LISTING OF ITEMS FOR CONSIDERING DECLARING OF SURPLUS (OBSOLETE AND OBSOLESCEMENT ITEMS)

10. **Obsolete Items:** If the items is declared obsolete under authority of Air HQ Routine Order Pt -IV, then the item is to be considered for declaring surplus and listed as such

11. **Obsolescent Items:** For obsolescent items procedure as for active stores is to be followed. Quantity considered for declaring surplus is to be calculated and listed as such.

12. **Pre-mod for pre-upgrade items:** These items are to be based on Modification leaflet , or Modifications leaflets or Bulletins or Task Cards or STIs/ Sis etc and based on technical inputs provided by the agency undertaking any upgrade . The list of such surplus items is to be raised by the Mother Depot i.e. the stock holding depot. This should include not just the pre-upgrade or pre-mod items removed from the aircraft but also stocks of such items held in store.

SURPLUS REPORT CUM DISPOSAL REVIEW STATEMENT

13. Surplus Report cum Disposal Review Statement as per Appendix 'D' is to be raised by the unit /depot. (The formats at Appendix 'A' and 'B' are to be suitably modified for raising the surplus for pre-mod and pre-upgrade items). The classification and grouping of items for declaring surplus is to follow the same classification as in case of PRs as given in AOM's supply and provisioning Canons 5, 5A & 5B. The statement will include Active Stores (Class A to Class C), Obsolete and Obsolescent stores. The category in which the items fall is to be shown in the remarks column. The surplus reports are to be priced as per AOMs S&P Canon 2/2001. The basis of arriving at the price should be indicated against each item. The AOC/CO of the depot is to certify in person that the pricing is accurate and has been done as per laid down norms.

14. Cancellation of Dues-in Careful check of dues in, in respect of all items featuring into the surplus list cum Disposal Review Statement is to be checked for dues in. Top priority is to be accorded for taking up for cancellation of all dues in. Cancellation of dues in even with penalties is to be carefully considered at all levels. The depot raising the PR is to enclose the latest Dues In status for the items being declared surplus along with each Schedule of surplus generated.

15. Vetting and Authentication of Lists: Each of the lists so compiled is to be checked for possible alternative use. Aircraft and specialist items are also to be considered for general-purpose and instructional use. The final list of items recommended by mother depot is to be compiled. In case the range is for decentralized weapon system, column no 12 and 13 of the statement are to be omitted. The list is to be forwarded to HQ MC in three copies for further action. The statement will be accompanied by all working sheets. A soft copy on magnetic media will also be sent.

Action by HQ MC

16. The surplus list is to be forwarded by the Depot to SLMO (Supply)/ SLMO (Support). The surplus report will be vetted by the concerned cell and forwarded to SMSO's Branch for technical vetting.

17. SMSO's Branch will carry out technical vetting similar to the vetting of PRs and establishing the feasibility of alternative utilization of the items. All surplus report costing greater than Rs 10 lakhs will be vetted by a committee as per details given below :-

(a) Upto Rs 10 lakhs - by staff of SMSO and to be concurred by SMSO HQs MC

(b) Rs 10 Lakhs to Rs 1 crore - by a committee consisting of

Dy SMSO- HQs MC

Specialist rep of depot, which has raised the review.

Co-opted technical specialist members from BRD's /AFLEs or operating units / Air HQs on a case to case basis (members from operating units/ Air HQs are to be detailed through ACAS (MP).

The recommendations of this committee are to be approved by SMSO HQs MC.

(c) Rs 1 crore and above - by a committee consisting of

SMSO - HQs MC

Dy SMSO- HQs MC

Specialist rep of depot, which has raised the review.

Co-opted technical specialist members from BRD's /AFLEs or operating units / Air HQs on a case to case basis (members from operating units / Air HQs are to be detailed through ACAS (MP).

The committee may forward list to agencies wherever a possibility of alternate utilization exists. SMSO HQs MC is to formulate guidelines for technical

vetting of surplus lists. Wherever alternative utilization is feasible, amendments in items and / or quantities will be carried out. If the surplus is negligible the item may be deleted from the list.

AOLMs branch will issue amendment details based on the inputs of the SMSOs branch to the depot forwarding the statement as well as will issue allotment letters based on the alternate utilization suggested by SMSOs branch.

18. For Decentralized Ranges

- (a) The surplus report will be forwarded to JCDA (AF) with a detailed proposal for financial concurrence after exploring the possibility of exploring alternative use. The forwarding to JCDA (AF) will be as per norms followed for processing PRs for decentralized ranges. The proposal will contain a clear statement that all Dues IN has been cancelled. Unless all possibilities of alternate utilization are ruled out the proposal is not to be forwarded to JCDA (AF).
- (b) After financial concurrence the surplus report will be put up to AOC in C HQs MC (these powers cannot be delegated) for approval.
- (c) Once approved the final list will be sent to unit along with letter of authority signed by the AOC in C or authority designated by him in writing on for initiating disposal action as per SOP for Issue no XI.

19 For centralized ranges the statement will be forwarded to Air HQ (concerned Maintenance Cell), after checking alternative utilization of items and filling columns No 10 & 11 in two copies. The statement will be accompanied by all working sheets. A soft copy will also be sent on magnetic media.

Action by Air HQ

20. For centralized ranges, technical vetting will once again be carried out by maintenance cell. Amendments will be carried out wherever alternative utilization of the item is feasible and HQ MC and depot will be informed accordingly. The proposal will contain a clear statement that all Dues IN has been cancelled. In case the Maintenance Cell at Air HQs feels that an item being declared surplus can be sold to another country it is to progress the case through ACAS (Int). Unless all possibilities of alternate utilization are ruled out the proposal is not to be forwarded to IFA (AF).

21. The maintenance cell thereafter will obtain IFA's concurrence & CFA's approval and forward approved copy of surplus report along with letter of authority signed by the AOM or authority designated by him in writing to Depot directly for disposal action. Copy of the covering letter will be forwarded to HQ MC as well.

22. The complete process of declaring active stores surplus is given in Appendix `E' to this procedure. The process of declaring obsolete and obsolescent items surplus is given in Appendix `F' to this procedure.

ACTION BY DEPOT ON APPROVED SURPLUS STATEMENT

23. Once the items are declared surplus (Whether active, obsolescent or obsolete), these items/quantities are to be segregated. No further provisioning of these items is to be undertaken.

CHECKLIST FOR PENULTIMATE CFA, IFA AND CFA

24. The following documents are to invariably accompany each case: -

- (a) Review documents i.e. basis of arriving at the surplus qty
- (b) Authority for declaring an item obsolete / Obsolescent
(in such cases).
- (c) Authority for carrying out mods / upgrades, in such cases or inputs from agency undertaking the upgrade i.e. basis of declaring the items pre-mod or pre upgrade
- (d) Technical vetting by Committee under SMSOs branch. Certificate that no other alternate utilisation is possible.
- (e) Allocation of items identified for alternative use.
- (f) Certificate that all Dues IN is cancelled.

WORKS (Schedule XVIII)

1. The Following Standard Operating Procedures (SOP) will be adopted for exercising of financial powers delegated vide Schedule XVIII Appendix II Part III Air Force of FR-I Vol. II, read in conjunction with Para 15 of Defence Works Procedures (DWP-86) as amended vide MOD letter No. 3(7)/93/S (Wks), dated 26 Aug 98 and MOD letter No.TO(3)/02-D(Air-II) dated 01 Apr 02 as further revised vide GOI, MOD, Air HQ/95378/1/F0n P/2520/US (RC)/Air-II/06 dated 20 July 2006.

2. The SOP is to be adopted by the various CFAs while exercising financial powers for Acceptance of Necessity (AON) and issuing Admin Approvals (inclusive of those requiring consultation with the IFAs) as well as Demolition of Buildings. The revised delegated powers of various CFAs are at Appendix.

AIM

3. The aim of the SOP is to lay down guidelines for Command HQs and Dte of AF Works (VB) for exercising the financial powers delegated vide Govt orders referred to in Para 1 above.

PREPARATION OF CAPITAL WORKS PLAN (CWP)

4. HQ Commands are to forward draft CWP for the next Financial Year by 01 Dec to Air HQs. MOD (Fin) accord approval to the draft CWP before implementation.

5. At Air HQ, a meeting with SOAs/SASO will be held to finalize and compile the Draft CWP. While formulating CWP the works services are priorities in the following order: -

- (a) Over-riding priority is given to Op works.
- (b) The works, which are considered necessary as per the policy decision taken by MOD.
- (c) The works services considered necessary in consonance with the direction of CAS and other authorities at Air HQ. Minimum 04 projects relating to runway surfacing is to be included in the

CWP every year and prioritized as per the priority approved by the AOM branch.

- (d) Projects relating to Airfield lighting system are prioritized as per the priority approved by the AOM Branch.

The prioritizations of works services are done as per the suggestion made by the Commands.

The draft CWP will be routed through IFA and AOA before sending to MoD /MoD (Fin).

6. On obtaining approval of AOA, the finalized CWP will be submitted to MOD and MOD (Fin) for approval.

7. CWP as approved by Ministry of Defence will be communicated to the HQ Commands for implementation. Air HQ will also communicate the maximum ceiling upto which works within the approved CWP could be sanctioned during the financial year. It is to be ensured by HQ Commands that only those projects, which are included in CWP, are processed for issuing Administrative Approval (AAS). A copy of CWP will be forwarded to the following: -

- a. D Air-II/MOD
- b. AFA/MOD (Fin)
- c. IFA (Air HQs)
- d. CDA (AF) Dehradun and
- e. JCDA (AF) Nagpur.

Amendment of CWP:

8. All proposals from HQ Commands for amendments are to have the approval of AOC-in-C and comments of IFA will be obtained before sending any case of amendments to CWP to MoD/MoD(Fin). Any addition in the CWP are to be balanced by proposing deletions so that the total cost of approved CWP is not exceeded. Amendments will be put up for approval of MOD and MOD (F).

Finalization of Board Proceedings (BOOs)

9. The CFA will take action to convene a Board of Officers i.e. Recce-cum-Siting-Cum Costing Board to assess the requirement of work services falling under their delegated powers.

10. The finalized proceedings of BOO once approved by CFAs will be submitted to IFA for obtaining concurrence from AON angle. Once Acceptance of Necessity is approved by CFA with concurrence of IFA, it is to

be forwarded to Zonal Chief Engineers for preparation of Approximate Estimates (AEs).

Inclusion of project in CWP is an indication of priority requirement of the project since individual works details are not gone into at this stage. IFAs can question the necessity of the works, which are intended to be carried out. Complete information as to acceptance of necessity such as scales, deficiencies, operational requirements if any along with all supporting documents are to be submitted to IFA for comprehensive scrutiny notwithstanding the fact that the same has been included in C.W.P. In Air Force, acceptance of necessity and administrative approval will be done in two distinct stages, obtaining the concurrence of IFA /CDA(AF) where the same is **with financial concurrence**.

11. **Acceptance of Necessity Stage:** It refers to approval in principle of the CFA and concurrence of IFA to the proposed work or service. At the stage of AON incase of proposals for major works among other things, **an indication of the cost**, supported by an **engineer appreciation** will be submitted to IFA for concurrence and CFA for approval. In case of proposals for minor works, a rough cost along with a brief note explaining the scope of work.

An indication of cost is required for submission to the **CFA and IFA** to accept the necessity for a service / work. It is based on plinth area, or, other rates for a particular type of construction with percentage of total cost added for accessory services. A rough cost is empirical in nature and is given on a “not exceeding basis” the object being merely to determine the CFA and IFA.

The **CFA and IFA** will examine each proposal as to

- i. The necessity of the service.
- ii. Whether it is accordance with Government Policy.
- iii. Whether it agrees with sanctioned scales
- iv. Its urgency

12. **Administrative Approval Stage:** It refers to concurrence by IFA and approval by CFA to the execution of a work / service at a stated cost. If the necessity for a major work is accepted, an approximate estimate will be prepared by engineering authorities for the purpose of administrative approval items of special work, if any will be specified and their necessity explained.

Approximate estimate will be based on plinth area, cube, or unit rates for any similar works carried out. Approximate costs may be given for such items of work, details of which are not fully known at the time of preparation of the estimate or for items for which no previous rates exist.

Engineering authorities who prepare AE will be responsible that it is as accurate as possible in the circumstances. This approximate estimate will be vetted by regional CDA.

13. Where the approximate estimate exceed by more than 10% of the amount for which necessity was accepted, revised acceptance of necessity by IFA and CFA will be necessary. This tolerance limit is however not intended to cover any additional requirements of users, or, to enrich the specifications already sanctioned.

Administrative approval is then accorded by IFA and CFA to the execution of the work / service at the cost shown in approximate estimate.

Administrative approval will be conveyed by a letter specifying the source from which funds will be provided. It will also state whether work is authorized or special, if authorized the authority will be quoted, along with UO no. and date of IFA / CDA and if special, reasons for approval will be stated except where the GOI is the CFA.

14. Engineering authorities will not be required to prepare approximate estimates until the necessity for a work has been accepted by IFA and CFA, nor to prepare detailed designing and specifications until administrative approval has been accorded.

If approved work is not commenced within five years of the date of administrative approval, fresh approval from CFA and IFA must be obtained.

If changes or additions become necessary through revision of scales or establishments or on other administrative reasons, a supplementary estimate will be prepared and administrative approval accorded by IFA and CFA competent to accord administrative approval to entire work. (Including both original and supplementary estimates) CFA will certify that supplementary estimate has been necessitated by purely administrative reasons.

Where it is anticipated that due to technical reasons, the expenditure is likely to exceed authorized limits, a revised estimate will be prepared and revised administrative approval obtained with prior concurrence of **IFA and approval of CFA.**

15. Projects Costing Rs.120 lakhs to Rs.1000 lakhs.

The sanction of various works will go through the following stages: -

- (a) Inclusion of project in approved C.W.P.
- (b) Preparation of AEs by CE and technical vetting of the same by the C-in-Cs Branch and vetting by concerned regional CDA in whose area the work to be executed falls.
- (c) Issue of AAs by appropriate CFA with concurrence of IFA.

While issuing the AON and AA, the CFA will ensure the following:

- a. The project has been included in the current year CWP.

- b. AEs have been scrutinized by the competent Engineering Authority and vetted by concerned regional CDA in whose area the work to be executed fall and thereafter IFA 's concurrence has been obtained.
 - c. The Board Proceedings have the approval of the CFA.
 - d. The proposal has been concurred by the IFA and approved by CFA from Acceptance of Necessity angle.
 - e. The funds for the purpose are available.
 - f. The correct budgetary Code Head is indicated in the sanction letter.
 - g. UO no. and date of IFA is to be prominently indicated in A.A.
16. **Head of Account:** The AAs will indicate among other things the amount, the Budget Head from which funds will be provided for the work. For AF works the Budget Head is 4078 Capital Outlay, Sub Major Head 03-Air Force Minor Head 202-Construction Works, Detailed Head 917/34 (New Capital Works).
17. Ink signed copies of AA together with copy of vetted approximate estimate will be sent to the following: -
- a. IFA concerned
 - b. Command Regional CDA
 - c. Command Engineering Authority
 - d. Concerned CDA within whose accounting circle the work is being executed.

Special works:

18. Special works are those services not categorized as Authorized Works and do not fall under CWP. These may be approved with IFA's prior concurrence as per delegated financial powers at Appendix, when: -
- a. Exceptional local conditions justify the necessity
 - b. As an important experimental measure
 - c. Special work should not be approved if the effect would introduce a new practice or change of scales.
 - d. Where no scales have so far been laid down and there are no orders prohibiting the undertaking of these works. CFA with the concurrence of IFA may within their competence sanction works if it is customary or technically essential to provide the same.

The CFAs and IFAs while sanctioning Special Works should ensure that such a sanction does not set precedent. The certificate as per the format given below is to be rendered for the purpose.

19. In determining the CFA and IFA in a case where the project includes both the authorized and special item of work, the criterion shall not be the financial powers for the normal items of work 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 and IFA for those items the administrative approval shall be issued by the CFA and IFA under whose powers the special items falls.

Certificate

It is certified that the Special Works as mentioned in the work will not create a precedent for future works.

Command Works Officer

Release of Works

20. Once Admin Approvals have been issued, the work is released and allotment of funds will be made as follows: -
- a. Upto 31 Dec, 10% of the cost of the project will be allotted to new works in the CWP.
 - b. After 31 Dec only token amount will be allotted.
 - c. In respect of external service procedure as envisaged in Para 298 RMES will be followed
21. The expenditure against allotment will be watched by the Command HQr. The IFAs and Regional CsDA functioning, as IFA will also monitor this aspect by maintaining a register for keeping records of works approved and funds released for the same during the first financial year. This will be ensured neither the overall upper ceiling fixed for enhancement exceeds, nor the funds for these new works released during the first financial year are beyond the allocations made for new works. Register keeping the records of works approved and funds released for the same during the first financial year will be made by the Dte. of AF Works. Copy of the release letter will be sent to CDA (AF) Dehradun /JCDA (AF) Nagpur. Control on expenditure against allotment is exercised by Regional CsDA / MES.
22. The existing procedure for acceptance of tenders, conclusion of contract, issue of amendment and deviation orders etc. and also appropriation of funds will remain unchanged.
23. The scrutiny of tender documents by audit or by CDA/IFA, prior to acceptance is not necessary. Wherever possible, the advice of IFA / CDA will be taken before a tender of an unusual nature is accepted, such as lowest tender, found invalid, or, withdrawn for any reasons.
24. No expenditure of liability is to be incurred until funds are available except when the provisions of Paras 10, 11 and 12 of Defence Works Procedure 1986 (DWP-86) are invoked. The procedure in vogue

for works ordered under paras 10, 11 and 12 of Defence Works Procedure 1986 will also remain unchanged.

Technical Sanction

25. After issue of AA ands release of funds, the competent Engineering Authorities as per the existing procedures will issue technical sanction and copies of technical sanction accompanied by costed schedule of projects or sub projects will be forwarded in all cases to concerned CDA/IFA.
26. The financial powers as laid down vide Appendix will be exercised by CFAs in consultation with the IFAs.
27. The book value of each building (including subsidiary building) will be taken separately and not the total book value of all the building in a demolition statement in order to determine the authority competent to sanction its demolition.

**PROCEDURE FOR IMPLEMENTATION OF INFORMATION TECHNOLOGY
PROJECTS AND PROCUREMENT OF INFORMATION TECHNOLOGY
STORES (SCHEDULE – XIX)**

Introduction

1. Information Technology (IT) has been identified as the single greatest enabler to propel the country in the new millennium. Accepting the potential of Information Technology in the Air Force, the Govt of India has given a special thrust to facilitate IT penetration down to the lowest levels of the Air Force hierarchy. Due to the peculiarities of IT which make it distinct from any other technology, a need was felt to setup a new budget head “Major Head 2078, Minor Head 110 (i) stores detailed head 754” exclusively for IT in the Indian Air Force in 1999. This was done with the primary aim to speed up and streamline the process of automation in the Air Force and also specifically address the peculiar nature of IT characterized by rapid obsolescence and the need to procure services and not only products. Financial powers to execute the IT related projects up to Rs fifty lakhs were delegated to the Air Force. The financial powers have since been revised by Government of India, Ministry of Defence vide Schedule XIX to FR Part I and the same are placed at Appendix – ‘A’. These financial powers are to be exercised for all IT projects and procurements so as to achieve synergy. Units/Dtes are not to undertake projects individually under any other code head. The financial powers laid down are powers for a single transaction and are limited by the amount of funds that are available. IFA/CsDA will be advisors to the various CFAs as designated by CGDA from time to time.

Powers in Consultation with IFA/CDA. All procurements under this head will be effected after prior concurrence of the appropriate IFA/CDA. This implies that the IFA/CDA will be associated at the following stages:-

1. Acceptance of necessity including technical specification.
2. Determining the mode of tendering.
3. Selection of vendors in limited tender enquiry.
4. Vetting of financial terms and conditions of the draft tenders.
5. Opening of tender/Quotations.
6. Evaluation of **techno-commercial bids** in TEC in case of two-bid system.

7. Opening of only technically and commercially acceptable **price bids**. Vetting of commercial bids and comparative statement of quotations (CSQ). CSQ will be prepared and authenticated by the IAF authorities, which will be vetted by IFA before the same is put up to TPC.
8. Tender Purchase Committee (TPC) stage. & PNC wherever applicable.
9. Vetting of draft supply order by IFA before the TPC report is put up to CFA for sanction of the purchase.
10. Post contractual monitoring of terms and conditions of the supply order such as delivery period (DP extension), waiving of liquidity damages / security deposits, risk purchase, issue of corrigendum to the supply orders etc.
11. Exercising of option clause / repeat order.

Initiation of IT Projects

The end user will initiate all IT projects approved in the finalized AITBP. For projects to be executed under the powers of VCAS/ACAS (IT) the detailed case shall be forwarded by the sponsoring organization so as to enable Dte of Info Tech to progress the case for its sanction. For projects within the powers of the other CFAs, a comprehensive case will be prepared and processed with the respective CFAs. In all cases where the project involves networking, the user will also invariably indicate the manner of administration of all IT resources. Some of the important aspects to be included in the SOC are:

1. Present system.
2. Existing resources and their usage.
3. Proposed system including upgradation, if any, with broad system architecture.
4. Benefits likely to accrue.
5. Outputs desired from the system.
6. In case of networking project, proposed network architecture with inter-se distance of nodes.
7. Software required to be developed/procured/upgraded.
8. Feasibility of buy back provisions.
9. The requirement of system study and analysis through vendor for complex projects, if necessary.
10. Requirement of training for users in a particular project is to be clearly specified.

Technical Examination and Approval

The Director IT will carry out technical vetting of SOC's of the projects referred to Air HQ for VCAS / ACAS(IT) sanction. All such cases will be forwarded to the DIT, Air HQ through Command EDP/Controlling Directorate. All projects other than those referred to Air HQ for sanction will be vetted as well as coordinated between EDP Section and CSO (Air) before approval by the CFA. At training establishments these will be coordinated between the local EDPO and C Eng O.

Preparation of Schedule of Requirement (SOR)

Schedule of requirement will be prepared after technical examination of the SOC's. SOR will be as per Appendix 'C'. The following points must be adhered to while preparing the SOR:-

11. Technical details must be complete in all respects. Modifications are authorized at the time of tender enquiry to cater upgrades and obsolescence.
12. The pricing should be either based on last procurement price (LPP) or budgetary quote considering the present trend in the market.
13. Procurements that require to be covered by an AMC and whether the AMC cost will be included while evaluating the project cost should be clearly stated in the tender enquiry. **As a general rule, AMC cost will not be included to evaluate the overall project cost.**

Concurrence of IFA/CDA

14. A self-contained note on file will be forwarded to the IFA for according concurrence after duly obtaining recommendation of penultimate CFA. IFA/CDA may accord concurrence (acceptance of necessity and vetting of the draft tender and list of vendors in LTE) to the SOC within reasonable period of 2-3 weeks after receipt of the proposal. All observations on a case may be raised once to avoid piecemeal observations resulting in delays for approval of the cases.

Approval of the CFA

15. The CFA after concurrence of IFA/CDA may accord his approval to the project from necessity angle. After obtaining CFA sanction the SOR will be allotted a SOR serial No. A register will be maintained for allotting SOR SI Number against each CFA sanction. This SOR number has to be quoted in supply order and SO No has to be quoted against each indent, so as to monitor the progress of indent.

16. Processing of Cases within Financial Powers of CFA at Commands and Training establishments IT projects which are within the financial powers of the CFAs at Commands and Training establishments will be processed by the respective EDP

Section for approval of the CFA with the concurrence of IFA/CDA. CLMO section at each Command HQ will co-opt one logistics officer for undertaking necessity angle approval, tender activities, supply order and post contractual obligations, involved in IT projects and Logistics sections at other formations will undertake this functions.

17. Processing of Cases beyond the Financial Powers of the CFAs at Training establishments for Sanction of the VCAS. IT projects which are beyond the financial powers of the CFAs at Commands, but within the financial powers of VCAS shall be processed by the DIT for approval of the VCAS with the concurrence of IFA (Air Force). DIT will issue the vetted supply order and carryout subsequent project implementation and monitoring through the end user.

Tender.

18. Tender is the basic document, which lays down project parameters, and it acts as the reference document for the vendor as well as the user. Due care will therefore be taken in preparing the document. The tender will be signed only by an officer authorized by the CFA to do so. The associated legal authorities may vet and affect any material alterations/changes in the tender document involving legal implications. Draft tender enquiry will be vetted by IFA before issue.

Tender Preparation.

19. The bids in the tender will invariably be asked in two separate parts simultaneously viz. techno-commercial and price bids, barring exceptional cases where the nature of the procurement does not require any technical evaluation. Both these bids will be asked in separate sealed envelopes. Payment term will form part of techno-commercial bids along with other commercial terms except price. Sample tender document is placed at Appendix 'D'. Depending upon the nature of IT project, tender to suitable vendors from the approved vendor list will be issued. Approved vendor list should be drawn up in consultation with IFA. The vendor list should be annexed with the draft tender enquiry so that the same can be vetted by the IFA simultaneously. Various aspects such as nature and size of project vis-à-vis vendor capabilities, customer service support, regional presence of vendor depending upon location of project, past performance of the vendor etc will be kept in mind while selecting vendors for a particular tender.

Limited Tendering

20. Due to the peculiar requirements in the IT field and vast proliferation of all types of vendors and suppliers, often supply of locally assembled products is quite likely. Moreover, technical capability and expertise of the vendors is a very important aspect that must be objectively considered for any IT project. Resorting to limited tendering to short-listed vendors of repute, while ensuring adequate competition, is therefore essential to get the requisite quality. Hence, tenders may be invited only from vendors from an approved list of vendors at each HQ/Formation/Units, keeping in view the requirements of adequate competition and transparency. List of vendors to

whom tender enquiry is proposed to be issued must be appended with the draft tender enquiry while obtaining IFAs concurrence and CFA sanction from necessity angle. A presentation / briefing of the vendors must be held to explain ;the scope of the project after issue of tender enquiry involving schedule XIX A1, A2, A3, A4 and AMC under B3. This activity must be undertaken on same day at the same time for all vendors so that all vendors are on equal platform regarding our requirements and their understanding of the subject projects.

Vendors Lists.

21. A list of approved vendors will be maintained and updated by all the CFA on regular basis. The vendors should be classified for different services offered like turnkey solutions, software development, consultancy, networking, system integration etc. The vendor list will be updated and enlarged from time to time based on interaction with the Ministry of Information Technology, industry organizations such as CII, MAIT, and NASSCOM etc. and through pre-qualification exercises. List of approved vendors by all CFAs will be forwarded to Dte of IT, Air HQ for record once every year by 01 May. Advertisement in national dailies will be issued to register vendors latest by 30 Sep every year. Vendors already registered with Army, Navy, DRDO, Ordnance Factories and other Defence Departments / PSUs and DGS&D will automatically be considered for inclusion in list of registered vendors.

Single Vendor Case after TEC Evaluation.

22. A single vendor situation may result after tendering if only a single vendor responds to a tender or the bids of other vendors have been rejected by the TEC. In all such cases, re-tendering will be resorted to.

Tender Purchase Committees (TPC).

23. Tender purchase committees will be constituted by the CFAs for all IT projects in excess of Rs one lakh. Sanction may be accorded by the CFA from acceptance of necessity angle where concurrence of the IFA is not required, however for expenditure angle, sanction TPC will be constituted for all IT projects in excess of Rs one lakh. The price bids of vendors which are techno-commercially considered acceptable as per recommendations of TEC will only be considered. The minutes of TEC will be maintained duly recording reasons for rejection /acceptance which will be signed by all members including CDA/IFA or Rep of IFA. These vendors will all be considered to be on par. Nominated BOO including Rep of IFA will open the technically acceptable commercial bids on the date and time specified in the presence of vendors who wish to be present at the time of opening of commercial bids. Signature of vendors will be obtained for having opened sealed quotes in their presence. Late tenders are not to be accepted/opened after the specified time. In absences of enough competition the date of opening may be got extended with the concurrence of IFA and approval of

CFA but without opening the commercial bids. Extension of opening of bids will be communicated to all vendors by FAX/Regd Post. The officer signing the tender enquiry will put up commercial bids to the TPC with vetted Comparative Statement of Quotations (CSQ). CST will be vetted by IFA/CDA before it is put up to TPC. TPC will satisfy itself with the CSQ and may negotiate prices with lowest bidder wherever necessary. TPC will thereafter make its recommendations to the CFA for approval after due concurrence of the IFA/CFA. All proceedings of the TPC meetings will be fully documented in detail. Adequate notice will be given to the IFA/designated CDA for detailing representatives for the TPC. In order to avoid unnecessary movement of TPC representatives and the files, TPCs for several proposals can be clubbed and considered on a specified day at a time and location convenient to all. TPC is to be constituted for all procurements above Rs 05 Lac. All proposals under consideration with TPC on a particular day will be considered separately and will not be clubbed for the purpose of deciding the CFA.

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

24. The IFAs / CsDA will also be fully associated with the post-contract stage developments having financial bearing like extension of delivery period, waiver of liquidated damages, risk purchases etc. In other words, the prior concurrence of IFA/CDA will be obtained in such matters. Amendments to supply orders because of printing errors not effecting schedules given in the supply order/tender enquiry can be made without associating IFA/CFA. UO No. and date of IFA/CDA will be indicated in all amendments to SO

Procurement Procedure for Computer Stationery and Consumables.

25. The requirement of computer stationery will be worked out wrt actual average annual consumption of last 3 yrs based on computers held on charge. The details of computer likely to be added or likely to become obsolete may also be indicated. Items, which are not covered under annual contracts, may be procured following normal local purchase procedure. The procurement procedure for this category shall remain the same as is being followed for any other Air Force Stores. The authorities delegated with financial powers out of the IT budget will also procure computer stationery and consumables for their lodger units/establishments to whom they provide logistics support as per guidelines given below. The extent of expenditure on computer stationery and consumables will be within the allocated funds in a financial year. The procedure / guidelines for procurement will be as under:

1. The requirement of computer stationery and consumables for various units/establishment will be consolidated by the respective CFAs at units/formations and by Directorate of IT at Air HQ for Air HQ and units directly under Air HQ at New Delhi.
2. Based on availability of funds computer consumables and stationery will be procured during the financial year.

3. Sanction of the CFA and prior concurrence of IFA/CDA where applicable will be obtained by the concerned organization following laid down logistics procedures.
4. Tendering, placing of order, procurement of the items and forwarding bills for HQ.CDA/IFA will be associated in all stages of procurement viz. acceptance of necessity, selection of sources in LTE, tendering, TPC/PNC, vetting of draft S.O. and post contractual monitoring where such powers are with financial payment will be done by the respective unit logistics sections/DIT at Air concurrence
5. Computer consumables and computer stationery shall be treated as separate items. Splitting of sanctions should be avoided. (Rule 147 of FR Part 1 Vol II) CDA/IFA should carefully audit all such sanctions.
6. Pre-printed computer stationery can be procured.
7. Computer consumables and computer stationery will be procured from Super Bazar/ Kendriya Bhandar/NCCF. In case these organizations are not located within the municipal limits of the nearest market a mention of the same may be made in the CSQ/bill/sanction.
8. Computer stationery and consumables can be procured and stocked as follows:-
 1. Maximum establishment - Four months
 2. Minimum establishment - Three months
9. Necessity and expenditure angle concurrence and approval can be combined. Moderations/changes in quantity if required may be advised by IFA/CFA at the time of granting concurrence/approval before placement of supply order. Similar clause may be added in the tender enquiry to amend quantities.
10. Computer stationery and consumables for computer systems procured as embedded systems will be procured from code head under which their Vocab Section falls. Computer stationery and consumables will be from IT code head where computers have been provided by Dte of Flight Safety, JD Tetra, Dte of IT, earlier locally procured under code head 742 or 750 or through ATG/ ETG/IMMOLS since all these are not part of embedded.
11. In case it is decided by the user that annual contract is required to be entered it must be insured that all activities of contract (up to signing of contract) are completed by 28 Feb so that contract can be operative wef 01 Apr.
12. 100% payment can be made after delivery and inspection of stores.
13. Expenditure on computer stationery and consumables is to be incurred from the IT head only and from no other head.

Procurement of Computer Peripherals and Ancillaries

26. Existing computer peripherals/ancillaries have become Cat `E'. Existing computer peripherals/ancillaries cannot be further used due to non-availability of spares/consumables. Computer peripherals/ancillaries are additionally required to meet assigned tasks.

(1) The user shall submit the requirement in the format of self contained letter/ service note to the CFA through proper channel for approval. Concurrence of IFA will be obtained if required.

(2) Based on merits of each case the CFAs may authorize procurement of peripherals and ancillaries. Sanction letter will be issued by the CFA or his authorized representative allowing units to undertake local purchase on not exceeding basis.

Procedure for Upgrade, Repair and Maintenance of Computer Systems

27. The procedure for this category shall remain the same as is being followed for any other Air Force Stores for upgrade, repair and maintenance. The authorities delegated with financial powers out of the IT budget will upgrade, repair and undertake maintenance for their lodger units/establishments to whom they provide logistics support as per guidelines given below. The extent of expenditure on upgrade, repair and maintenance will be within the allocated funds in a financial year. The procedure / guidelines will be as under: -

(1) The requirement of upgrade, repair and maintenance of computers and peripherals for various units/establishment will be consolidated by the respective CFAs at units/formations and by Directorate of IT at Air HQ for Air HQ and units directly under Air HQ at New Delhi.

(2) Based on availability of funds upgrade, repair and maintenance will be undertaken during the financial year.

(3) Prior concurrence of IFA/CDA where applicable and Sanction of the CFA will be obtained by the concerned organization following laid down logistics procedures.

(4) Tendering, placing of order, procurement of the items and forwarding bills for payment will be done by the respective unit logistics sections/DIT at Air HQ. CDA/IFA will be associated in all such cases right from acceptance of necessity, selection of vendors, tendering, TPC/PNC, vetting of draft Supply Order and post contractual matters having financial bearings.

(5) All CFAs with prior concurrence of IFA/CDA where applicable will sanction local purchase of any spare parts, maintenance stores, material or items of equipment required to expedite repairs of all types of equipment. The financial limit stated against each is for any one article of any number or similar articles purchased at the same time or dissimilar items purchased for one purpose.

27. Necessity angle concurrence by IFA (where applicable) and approval of CFA shall be required for undertaking repair, upgrade and annual maintenance of computer systems.

28. Computer systems procured, as embedded systems will be upgraded, repaired and maintained from code head under which their vocab section falls. Upgrade, repair and maintenance will be from IT code head where computers have been provided by Dte of Flight Safety, JD Tetra, Dte of IT, earlier locally procured under code head 742 or 750 or through ATG/ETG/IMMOLS since all these are not part of embedded systems.

29. The users may enter into AMC or undertake maintenance on as required basis at their discretion as per local resources available. AMC entered with for one year can be extended up to a total of three years subject to the condition that the same was mentioned in the tender enquiry. Items broadly similar in nature to those in AMC can be additionally brought under the AMC on pro-rata basis. Extension in period of AMC and items additionally brought under AMC will require approval of CFA (with or without consultation of IFA) as applicable. AMC should be entered only for serviceable equipment having sufficient residual life during the period of the contract. CDA/IFA will be associated in all stages viz acceptance of necessity, tendering, TPC/PNC, vetting of draft Supply Order and post contractual monitoring.

30. Single Window Solution. All procurement in a proposal may be preferably made from one vendor to ensure compatibility of hardware with peripheral, software and networking equipment e.g. it will be prudent to buy a PC from one vendor along with UPS and printer as service support is through single vendor and the same stands good for solutions on turnkey basis.

Change of Technical Specifications after placement of Supply Order.

31. In view of fast obsolescence/change in technology in the field of IT, there will be numerous occasions as follows: -

- (a) The manufacturer has upgraded technical specifications from those ordered.
- (b) Technical specifications of items have changed in general as per industry standards.
- (c) The OEM has discontinued the model ordered.

32. The supply order must state that incase amendments to the supply order are required by the firms with respect to the above para, the same must be intimated to the purchaser within 10 days of date of issue of supply order.

32. The TEC will examine facts and make a report. TEC must ensure that items offered in lieu have equal or better specifications and certifications. Items offered as in lieu should be accepted only if the same is being offered at no extra cost. The proposal will be put up to the CFA (with/without consultation of IFA, as applicable) for granting amendments to the supply order. DP extension in such cases will be

granted with/without LD with prior concurrence of IFA/CDA. Delivery period same as per original supply order will be granted from date of approval of the amendment by the CFA.