

# SYSTEMIC IMPROVEMENT MEASURES ADOPTED IN OIL

(a compilation by Vigilance Department)

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## 1. APPOINTMENT OF CONSULTANT LAWYERS/ADVOCATES IN OIL

During a regular Vigilance inspection into the process of appointment of consultant lawyers/advocates etc., it was observed that the appointment process did not follow any policy or procedure.

To rule out the scope for arbitrariness and discretion in such appointments/empanelment a Policy for Empanelment of Advocates in OIL, Standard Operating Procedures for Legal opinion and Guidelines for engagement of Arbitrators and Conciliation Rules were framed and implemented w.e.f **November'2020**.

The said Policy inter alia deals with Eligibility, Procedure and Duration of Empanelment, Schedule of fees, Monitoring and Evaluation of Advocates, Disablements etc. The empanelment pursuant to the said policy shall be done as per invitation extended to the advocates who are in panel of 5 CPSUs namely – GAIL, BPCL, OIL-ONGC, PGCIL and CIL.

## 2. STANDARD OPERATING PROCEDURE (SOP) FOR CSR PROJECTS

Based on scrutiny of OIL funded CSR Project, scope for misappropriation of CSR funds was envisaged by Vigilance. To ensure effective utilisation of huge CSR funds and its likely positive impact on stakeholders, formulation of a SOP for sanctioning, monitoring, control and payment for OIL's CSR Projects was felt necessary.

Thus, a SOP for OIL's CSR Projects was framed and implemented across the organisation on **November'2020**. The formulated document inter alia deals with the following key areas:

- Selection of Projects and Project Implementation agencies
- Signing of MOUs
- Expenditure Approval, Control and Payment.
- Monitoring, Evaluation and Impact Assessment of CSR Projects
- Unsolicited CSR Project Proposals
- Process for Infrastructure and related projects implemented through Government.

## 3. OIL's RECRUITMENT PROCESS

OIL had a laid down Recruitment Policy formulated way back in 2007. Based on Vigilance examination of one of OIL's recruitment process, recommendations for a comprehensive review of the Policy were forwarded.

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In **December'2019**, OIL has come up with a more robust policy, ensuring higher level of transparency and fairness in recruitment matters. Recruitments pursuant to the amended policy shall be done as under:

- **Campus Recruitments:** The merit list of candidates shall be drawn based on combined marks of CGPA/Equivalent and personal interview as per defined weightages (CGPA/Equivalent – 85% & Personal Interview – 15%)
- **Open Recruitment:** Open Recruitment is to be undertaken by way of open competitive written examination (by third party like M/s EdCIL, a PSU) or using reputed public examinations like GATE, CLAT etc. with weightage for various stages (Written test/GATE/CLAT etc. - 85%, Group Discussion/Task – 5% & Personal Interview – 10%).

#### **4. INCORPORATION OF “APPLICABILITY OF DEDUCTION” IN SES (Service Entry Sheet)**

As a part of routine Preventive Vigilance activities, Vigilance conducted an inspection on execution of a contract for survey operations in OIL’s operational areas. As per the prevalent practice, deductions (if any) required to be made from the contractor’s bills were advised by User Department in the form of handwritten notes or instructions on the SES. There was a scope of missing out such deductions on the part of F&A Department due to oversight/misinterpretation/ambiguity of handwritten instructions.

Based on Vigilance recommendations, a system has been developed in ERP to provide indication for deduction (if any) in all payment advices (SES) sent from User Department to Finance & Accounts Department. A mandatory field has been incorporated in the system to declare “Applicability of deduction” as Yes/No with a space for self-explanatory text to be filled by User department. Modifications were done in **November’2020**.

This modification has prevented ambiguity amongst the dealing officers and hence reduced the scope for errors common to a manual review. Inbuilt check point in the system has eliminated the chances of inadvertently missing out any applicable deduction leading to loss of the Company’s exchequer.

#### **5. AMENDMENT OF OIL EXECUTIVES’ CONDUCT , DISCIPLINE AND APPEAL RULES (OECD RULES), 1982**

The Department of Public Enterprises (DPE) had issued a consolidated Model Conduct, Discipline and Appeal (CDA) Rules, 2017 for adoption by respective CPSEs while

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framing/updating their CDA rules. This model CDA rules issued by DPE was further amended in October'2019.

In view of above, Vigilance Department carried out a comparative analysis between OECD rules, 1982 and updated Model CDA Rules. The analysis was forwarded to OIL's Management for consideration and revising/updating of OIL's CDA Rules that was long overdue.

Based on above recommendations, OIL's CDA Rules were finally revised and approved by Board in **November, 2020**. The amended CDA rules have now been standardised in sync with model CDA rules and provide better insight to officers governed by these rules.

### **6. EFFECTIVE MANAGEMENT OF ACTIVITIES OF PASSAGE SECTION**

An investigation in respect to awarding of contracts for various activities of Passage section (which include air ticket booking, allotment of Guest house/Hotel/Vehicle etc. to officers as per their entitlement) was carried out by Vigilance. A number of modifications, enlarging the scope of improvements to the allied areas for effective management of passage activities were suggested by Vigilance. Modifications were made w.e.f. **November'2020**.

Some major system improvements effected in this aspect include the following:

- The star rating based hotel entitlement has been done away with and grade –wise and city category wise monetary ceiling has been introduced for hotel accommodation of officers on official tour.
- Hiring of App based Cab Services in Delhi/NCR
- Empanelment of travel agencies through open tendering mode only
- Guidelines to the dealing officer of passage section to cross check and verify the cheapest rate of air ticket prevalent on the day of booking.
- Mandatory certification of taxi/hotel bills by the travelling officer prior to processing of payments by Administration Department.

### **7. VERIFICATION OF VENDOR CREDENTIALS**

OIL received a number of representations alleging submission of fraudulent documents/information by one of the bidders against one of its high value tender for hiring of services pertaining to production activities. Vigilance conducted an exhaustive analysis on processing of subject tender. Though no fraudulency could be established in the subject tender, however, to rule out the scope for such attempts in future tenders, a few

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recommendations for improvement in procurement procedures were forwarded to Management. One such recommendation was implementing a policy for verification of vendor credentials during processing of tenders.

In view of above, a “Policy for verification of credentials of vendors by Independent Third Party Inspection Agencies “ was framed and implemented across the Organisation in **May’2020**. A total of 09 Independent Inspection Agencies have been empanelled in OIL for the verification job through Global Expression of Interest (EOI) for a period of 04 years.

### **8. CHEQUE PAYMENT POLICY AND CONTINGENCY PLAN**

In Oil India Ltd, more than 98% payments to stakeholders are made through e-payment modes (NEFT/RTGS). Though, the percentage of total payments disbursed through cheque was quite less (< 2%), the existing system had no laid down policy for making cheque payments to outside agencies. It did not have any contingency plan in place to guide the dealing executives, to deal with cases of cheque fraud. In view of repeated unsuccessful attempts made by perpetrators by presenting fraudulent and/or cloned cheques against the bank accounts of the company, a study of the existing system to protect such type of fraudulent attempts was conducted by Vigilance.

Therefore, based on Vigilance recommendations, a “Cheque Payment Policy” and a “Contingency Plan” was formulated and implemented across the Organization in **December’2018**.

The OIL’s “Cheque Payment Policy” had prescribed important safety measures to check any fraudulent transactions of payment through cheque, thereby minimizing the chances of perpetration of frauds/loss of money.

In addition to the above the contingency plan provides step by step guidance to the dealing officer(s), allows early detection of abnormal and suspicious transactions, and permits adequate time to respond to such situations.

### **9. FACILITATION FOR EASY ACCESS TO TENDERS FLOATED EXCLUSIVELY FOR MSEs**

A random scrutiny of tenders meant for procurement exclusively from MSE vendors was conducted by Vigilance. To attract more MSE vendors and to enhance the annual procurement value from MSE vendors, certain recommendations for systemic Improvement were put forth by Vigilance.

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Subsequently, a dedicated slot was created in OIL's website [www.oil-india.com](http://www.oil-india.com) to facilitate easy access to tenders floated exclusively for MSEs and for drawing attention of MSE vendors. Modifications were made on large scale w.e.f **July'2018**.

In addition to the above modifications in OIL's website, the ERP system has also been re-configured, to give an auto indication in the Purchase Requisition (PR) itself that the item(s) are reserved for procurement from MSE vendors only.

The problem was tackled from two perspectives - for the MSE vendors the tenders meant for them were now clearly visible on the Company's website. From the point of view of the requisitioner, the ERP system now helps to quickly identify and segregate the materials suitable for procurement from MSE vendors.

### **10. TIMELY PROCESSING OF BILLS /INVOICES**

In order to facilitate the Suppliers and Contractors to get the status of the Bills submitted against various Contracts and Orders, OIL has a Bill Tracking System (BTS). The system generates a BTS no. for each uploaded bill/invoice, based on which Suppliers/ Contractors can track their respective bills.

A comprehensive study of the procedure followed for receipt and processing of bills/invoices was conducted by Vigilance. To facilitate better monitoring and control over the payment process, a program was developed and implemented in **November'2020**, for auto generation of emails against Bills pending beyond permissible time limit. The auto generated email triggers on weekly basis to the concerned and acts as a reminder for early settlement of pending bills.

### **11. GUIDELINES FOR USE OF OFFICIAL VEHICLES FOR PERSONAL PURPOSE ON PAYMENT BASIS.**

During investigation of a case by Vigilance, irregularities in use of Company's hired vehicles by various individuals came to light. There was a scope of misuse of official vehicle for personal purpose.

The introduction of app based system through Official Tie-up with app based cab aggregator services (OLA) , in big cities like Delhi/NCR have eliminated the misuse of vehicles by officials posted at this areas. However, for remote locations of Assam, where public transport or cab

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aggregator services like “OLA”, “UBER” are not readily available, the possibility of using official vehicles on personal grounds by officers in exigent situations cannot be ruled out.

Accordingly, for remote operational areas of Assam, a policy allowing legitimate use of office vehicles for personal purpose on payment basis during unavoidable situations based on availability and not causing any operational problem was framed and implemented on large scale basis in **January’2020**.

The guidelines allow use of office vehicles on personal reasons within OIL’s Operational areas and outside OIL’s operational areas, with prior written approval from Head of Departments. The mileage incurred for the authorized personal use shall be on chargeable basis to the officer concerned, which will be as per the rate applicable to the hired vehicle.

With the introduction of such policy, the risk of misuse of official vehicles in remote areas, where alternate means for commuting are rather limited has been minimized.

### **12. ROAD TRANSPORTATION CONTRACTS**

Road transportation services are availed by OIL through transportation contracts at fixed ‘to and fro’ freight charges for transportation of items procured from various parts of India. Vigilance study revealed a procedural slackness in the context of monitoring and control of freight payments processed against the Transportation Contracts.

It was noted that for the purpose of inventory valuation, freight charges were added to the material cost and hence booked against Purchase Order’s directly. Since, Service Entry Sheets were not generated; there was no check in ERP whether aggregate of the payments under a particular transportation contract has exceeded the total contract value. Though, the total payment made was manually checked from time to time the scope for human error could not be ruled out.

In **January’2021**, a suitable mechanism in ERP system was developed for effective monitoring of freight amount paid to the contractor against a particular transportation contract. The mechanism inter alia provides auto email triggering facility to the concerned personnel on monthly basis indicating details of amount paid to vendor and remaining value in contract.