

SYSTEMIC IMPROVEMENT MEASURES - 2022

1) Base price of HSD to be specified in the Contract

In the contract for hiring of “Vehicles for Materials Handling”, payment to contractor gets revised in proportion to the variation in the current HSD price with that of the HSD base price. However, base price of HSD was not mentioned in the Contract document because of which there was ambiguity on calculation of escalation/reduction of current HSD price.

- As a Systematic Improvement measure, it has been made mandatory to mention the base price of HSD in all Contracts / Tenders.

2) Downhole tools

During a Vigilance Inspection of Contract for “Hiring of 01 No. Wireline Logging Unit with Services” it was observed that some of the downhole tools used during the logging operation were not approved by OIL.

As Systemic Improvement measures, following were recommended & implemented:

- Surprise/ Periodic checks for tools used vis-à-vis approved tools list is to be carried out by the user department.
- List of approved tools is to be updated as and when any tool is replaced by the contractor.

3) Sinking & recovery of Shallow Tube Wells

During a Vigilance Inspection of Contract for “Sinking and recovery of shallow tube wells at OIL’s field installations” it was observed that the contract executing department (Field Engineering) did not have any standard procedure for allocating the jobs against the said contract and it was also found that there was no proper system for certifying the jobs completion by the User Department.

As Systemic Improvement measures following steps were taken:

- A standard format for forwarding job requisitions through ERP notification has been implemented.
- Job completion certificate / advice needs to be obtained from the User Department prior to certification the bill by the contract executing department i.e. Field Engineering Department.
- Monitoring of issue and return of materials provided by the company. Practise of issuing gate pass through ERP system was implemented for better record keeping.

4) Declaration of Conflict of Interest in TC Resolutions / Award Proposals

It was observed that Tender Committee Resolutions / Award proposals were not having the declaration that *"None of the TC members have any conflict of interest with the parties recommended for award"*. The inclusion of the declaration is prescribed by Procurement guidelines as well as Vigilance Manual 2021.

- As adoption of best practises, a circular has been issued to have this declaration in all TC resolutions / award proposals.

5) Payments towards Hiring of Services for Transportation of Explosives

In the contract for "Hiring of Services for Transportation of Explosives" it was observed that the expenditure of transportation of the explosives are being booked under the respective Purchase Order of the Material item (explosive). Contractor submits physical copies of invoices to User department and after scrutiny of the same User department forward it to F&A department for release of payment. No SES is generated for payment against the contract.

- As systemic improvement measures, it was recommended to put a system in place for online submission and monitoring of payment against such invoices through the "Invoice to Pay Automation" system.

6) Recovery against short-supplied / rented items in case of Chartered Hire of Rigs

During Vigilance Inspection of Contract for Chartered Hire of Drilling or Workover Rigs, it was noted that as per the terms of the contract, if short-supplied / rented items are not provided / returned by the Contractor within 3 months, the deduction / rental charges would increase by 1.5 times of the initial recovery / deduction. Further, deduction / rental charges in any subsequent quarter would be 1.5 times of the previous quarter. In few cases, it was observed that recovery / rentals towards short-supplied / rented items were not being carried out in accordance with the terms of the contract for example: recovery / rentals were not increased 1.5 times after the expiry of initial 3 months or recovery / rentals were increased to 1.5 times only once and the rate so increased was continued even in the subsequent quarters (i.e. 3rd quarter onwards).

- As a systemic improvement measure, a circular to all concerned in this regard has been issued that recovery towards short-supplied / rented items should be carried out in accordance with the terms of the contract.

7) Review of Internal / Cost Estimate

During various inspections, it is observed that contracts are awarded at L1 quotes which are substantially lower than the Internal Estimate. On deeper examination, it is found that Cost Estimation Manual for preparation of Internal Estimates is not being followed strictly, which is resulting into preparation of Internal Estimates on the higher side, which has an effect of depriving eligible bidders from participation in the tenders since BEC criteria is determined based on Internal Estimate. Besides, possibility of award of contract / placing an order at a higher value cannot be ruled out.

- As a systemic improvement measure, a circular to all concerned has been issued regarding strict compliance of Cost Estimation Manual and review of the cost estimate wherever there is variation (+/-) of more than 10% between the estimate and the L1 quote.

8) Penalty for prolonged Rig Shutdown

During inspection of contract of Chartered Hire of Drilling Rig, it was observed that there was prolonged rig repair shutdown. It was further observed that as per the contract, zero rate would be applicable beyond 30 rig repairs hours in a month, however, there was no penalty clause under the contract to compensate for the losses of the company.

- As a systemic improvement measure, a penalty clause in addition to zero rate clause, has been incorporated in the tenders against prolonged rig repair shutdown to safeguard the interest of the company.

9) Timely creation of workorders in ERP system

During various inspections, it is observed that workorder is created in the ERP system after the start of actual work. In many cases, workorder is created at the time of processing first payment of the contractor. In such cases, the contractors were asked to commence the work from a retrospective date.

- As a systemic improvement measure, it was recommended to explore the possibility of having a system validation that prevents creation of workorder from a retrospective date.

10) Review of requirement of Insurance policies under the contracts

During various inspections, it is observed that there is lack of clarity among user departments regarding the types of insurance policies that a contractor is required to take. As a result, no modification is made in the standard list of Insurance policies that is given under the General Conditions of the Contract (GCC).

- As a systemic improvement measure, a circular has been issued to all concerned that clauses of the GCC which are not applicable for a particular type of contract should be specifically modified in the Special Conditions of Contract (SCC).

11) Review and issue standard guidelines regarding 'Power of Attorney' submitted by the bidders

During inspection, it is observed that as per Tender instructions, bidders are required to submit 'Power of Attorney' (PoA) authorising a representative for signing & submitting the bids. Further, it is also required at the time of signing of the contract with the successful bidder. In this regard, it was observed that no specific format / contents of PoA has been prescribed. Further, it is not clear whether it should be general or Tender specific PoA.

- As a systemic improvement measure, it was recommended to review the present practice of obtaining PoA in a holistic manner and standard guidelines be issued.

12) Use of GIS for processing of Contractor's bills

OIL is having online pipeline tracking monitoring system viz. Pipeline Geographic Information System (GIS) through which movement of line-walkers is monitored. However, it was observed that the data generated in this system is not being used for processing the Contractor's claims / invoices.

- As a systemic improvement measure, it was recommended to use the data generated through Pipeline GIS system for cross-checking contractor's claims / invoices, which will prevent any undue payment to the contractor.

13) Investment of Surplus Funds

From the study of investment of surplus funds by the Company and by the Superannuation Trusts, following systemic improvement measures were recommended:

- Investment Policy to be reviewed in line with the latest govt. guidelines and economic scenario.
- To close the bank accounts which are no longer operative & required.
- Auto-sweep in/sweep-out facility to be explored for better utilization of funds.
- Review the list of empanelled brokers.
- Officers involved with the investment of funds to be considered as working on sensitive posts and to be rotated periodically.
- Re-allocation of limits among different instruments based on their performance.
