

16. DELAY IN PAYMENT TO VENDORS

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16. DELAY IN PAYMENT TO VENDORS

- (a) Improving Vigilance Administration: Increasing Transparency and cutting delays by E-payments and E-receipt by Govt. Organisations etc.

The Commission has been receiving complaints about inordinate delays in making payments to the vendors and other suppliers to the Govt. organisations, Public Sector Undertakings etc. Similarly complaints are received about delays in getting refunds from taxation dept. and other departments. Apart from increasing the cost of procurement, the delays lead to opportunities for corruption. A number of measures are required to cut down on delays in making payments. One such step is resorting to mechanism of e-payments and e-receipts wherever such banking facilities exist.

In the last few years tremendous progress has been made by the banking sector in computerization including net-working of branches, making it possible to do e- banking by making use of facilities like electronic clearing system (ECS) and electronic fund transfer (EFT) etc. These facilities are available in most of the banks including the State Bank of India as well as in private banks. A large number of corporate including public sector undertakings are already making e-payments to vendors and employees instead of making payments by issue of cheques.

The Commission has been receiving complaints that delay is intentionally caused with ulterior motives in the issue and dispatch of cheques in the accounts and finance wings of a large number of Govt. Organisations. As the e-payment facility is already available in the metros as well as practically in all the main urban centres of the country, in order to curb the above mentioned malpractices, the CVC in the exercise of powers conferred on it under Section 8(1) (h) issues following instructions for compliance by all govt. departments, PSUs, banks and other agencies over which the Commission has jurisdiction.

1. The payment to all suppliers/vendors, refunds of various natures, and other payments which the organisations routinely make shall be made through electronic payment mechanism at all centres where such facilities are available in the banks.

2. Salary and other payments to the employees of the concerned organisations at such centers shall also be made through electronic clearing system (ECS) wherever such facilities exist.

As the organizations will have to collect bank account numbers from the vendor, suppliers, employees and others who have interface of this nature with the Govt. organisations, the concerned organisations may plan to switch over to e- payment system in a phased manner starting with transactions with the major suppliers in the beginning or in whatever manner is found more convenient.

It is expected that in three months i.e. by 15th July, 2004, 50% of the payment transactions both in value terms as well as in terms of number of transactions shall be made through ECS/EFT mechanism instead of payment through cheques. The remaining 50% payment transactions at all centres where such facilities exist shall be made by 31st Dec 2004.

These instructions are applicable to all the metro cities and other urban centres where the banks provide ECS/EFT and similar other facilities. The departments, PSUs, Banks etc. should also provide an enabling environment and facilities so that businessmen and other citizens can make payment of Govt. dues and payments to PSUs etc. electronically.

In addition to significantly reducing processing costs in preparation and dispatch of cheques, the above measures also reduce the risk of frauds by providing speed, efficiency and easier reconciliation of accounts.

(No.98/ORD/1 Dated 6th Apr 2004)

(b) Leveraging Technology - e-payment & e-receipt.

Reference is invited to the Commission's Office Order No. 20/4/04 dated 6.4.2004 regarding the above mentioned subject.

2. The Commission had directed that by July 2004, 50% of the payment transactions both in value terms as well as in lieu of number of transactions shall be made through ECS/EFT mechanism instead of payments through Cheques; and urged all Banks, PSUs and Departments to provide an enabling environment and facilities so that such an initiative is successful. It has been informed that some of the organisations are yet to initiate the process in this regard. The organisations are, therefore, requested to forward the details regarding the implementation of epayment mechanism, as per the enclosed format by November 15, 2004 positively.

FORMAT

Leveraging Technology - e-payments & e-receipts

(A) Details regarding payments of salary etc. to employees.

(1) Total No. of employees -

(2) No. of employees whose Bank A/c details including MICR have been received -

(3) % in terms of numbers of employees to whom salary & other dues are being paid through e-payments -

(B) Details regarding payments of dues to contractors/suppliers etc.

(1) Number of contractors/suppliers/agents/assesseees etc. dealt with regularly during the period July 2004 - September 2004.

(2) Number of contractors/suppliers/agents/assesseees etc. whose Bank A/c details including MICR have been received.

(3) Total payments made to all contractors/suppliers/assesseees/CHA's during the period July 2004 - September 2004 (Amount in Rupees in lakhs). [Payments should include refunds of earnest money/income tax etc.]

(4) Total payments made through e-payments during the above period (Amount in Rupees in lakhs).

(5) % of Bills (in terms of number of payments) in which e-payment is made.

(6) % of value of payments made through e-payments.

(7) List of nodal officers who have been entrusted with the responsibility of managing charge to e-payment system.

(C) E-receipts

Separate details as per (1)-(7) above may also be provided in respect of receipts by organisations getting regular payments in terms of license fee/income tax receipts/custom duty/sales tax/property tax/freight charges/consultancy fees etc. (The organisations can give the type of payments received).

(CVC Letter No.98/ORD/1 dated 20.10.2004)

(c) Delays in Payments to Contractors & Suppliers etc. - Reducing opportunities for corruption

The Commission has observed that in a large number of Government organisations and PSUs, payments to contractors/suppliers are inordinately delayed. This makes the system vulnerable to corruption, in addition to increasing the cost of procurement by the Government agencies.

2. The Commission has therefore directed that all the CVOs should undertake a review of bills received during the last six months. The review is meant to primarily determine the time taken in clearing the bills. Necessary help from the concerned Finance/Administration departments may be taken wherever required. Wherever the systems have not yet been computerized there may be practical difficulties in conducting such a review for all the bills. The organisations may fix a cut off limit for review. It is suggested that the cut off limit for bills can be Rs.1 lakh i.e. time taken for payment of all bills above this amount should be seen. In smaller organisations the cut off limit can be lower depending on feasibility and convenience.

3. The CVOs should also review whether payments are being made on "first- come-first-serve" basis or not.

4. A compliance report in this regard may be sent to the Commission by 15.4.2005 as per the following details:

Statement on Delays in Bill Payments

1. Name of Organisation
2. Cut off limit : Rs.1 lakh (in respect of small Organizations).
3. Bills received during Sept., 04-Feb 05 :
(From contractors/suppliers etc)
Total No. of Bills :
Total amount involved :
4. Out of these :

(a) Bills paid in 15 days :
No. of Bills :
Amount Involved :

(b) Bills paid in 15-30 days :
No. of Bills :

Amount Involved	:
(c) Bills paid in 30-60 days	:
No. of Bills	:
Amount Involved	:
(d) Bills paid from 60 days to 120 days :	:
No. of Bills	:
Amount Involved	:
(e) Bills paid over 120 days	:
No. of Bills	:
Amount Involved	:

5. There are also complaints that most of the organisations take inordinately long time in releasing 5% bills amount which is normally retained as Performance guarantee after it becomes due. CVO may do a similar exercise with regard to release of this payment.

6. Has any ERP system or any other computerized system been installed or accounting purposes which can monitor bill payment?

6A. If not, is there any plan to do so in near future? If so, please indicate the time frame.
(No.QQ5/ORD/1 Dated 10th Mar005)