

SF 10.1A: OVERVIEW OF DEFAULT HANDLING PROCEDURES

Defaults: Meaning and Scope

Defaults include but are not limited to

- Delay Non-completion of activities as per specified timelines
- Shortfall Inability to achieve the desired level of performance with reference to various processes
- Non-compliance with prescribed norms and processes
- Fraudulent practices

Identification of a default

Violation of the processes, norms and timelines prescribed in the manual of SOP, the Guidelines, and the Notifications issued by the Skills division of MoRD will be the basis for identification of a default.

The defaults that occur due to violation of SOP are easily identifiable and will be dealt with as per the processes described in this Chapter.

A default could also occur due to (a) a violation of the Guidelines, the Notifications, the Sanction order and the Memorandum of Understanding, or (b) the commission or omission of an action for which the processes of default in SOP are not clearly specified. In such cases, the competent authority will take a decision regarding:

- Identification of the default
- Course of action to be taken under Chapter 10

The competent authority will give clear speaking orders specifying the basis on which the decision was taken.

Default Handling Procedures

Two main processes are envisaged for handling defaults:

- a. Alert processes
- b. Penalty processes

a. Alert processes

Alerts are intended to serve as a warning to PIAs that a default has occurred. There is no penalty imposition intended at this stage. However, every Alert issued will be recorded and may affect the assessment of the PIA's performance.

Two levels of Alerts are provided for:

A **Yellow Alert** is a level 1 alert, informing a PIA that a default has occurred.

If the PIA takes appropriate action within the specified timelines to address the default, the Alert is deemed to be closed.

If the default is not addressed satisfactorily, the next level of Alert will be issued.



If a default occurs but is addressed before the issue of a Yellow Alert, the Alert will still be issued. In such a case, the Alert will be a **deemed** Yellow Alert, and will be recorded as such; it will be counted as an Alert at the time of assessment of the PIA's performance. However, the PIA does not have to take any further action and the Alert is automatically closed.

A **Red Alert** is a level 2 alert. It will be issued if the PIA does not respond satisfactorily to a Yellow Alert (in which case it will be an escalation of a Yellow Alert) or if the default is considered serious enough to warrant a level 2 Alert directly.

A PIA is expected to not only address the default within the timelines specified in the Alert but also provide a satisfactory explanation for the occurrence and/or continuance of the default. A Red Alert will be closed only if both these conditions are satisfied. If either of these conditions is not met, the Alert process will escalate to a Penalty process.

Any default that occurs in any of the processes prescribed in the SOP will lead to the issuance of an Alert, as per the provisions of Sections 10.2 and Section 10.3.

Every month, along with Yellow and Red Alerts for defaults occurring in the previous month, a consolidated Statement of Alerts will be sent to every PIA. This Statement will give the status of all Alerts issued to the PIA, and indicate pending actions if any.

A delay in issue of Alerts will, however, not negate the occurrence of a default.

Notwithstanding any of the above, special processes/timelines are prescribed for the following defaults:

- Delays related to the Prospective Project Work Schedule (processes for dealing with delays in PPWS are elaborated in Annexure – I)
- Delays related to payment of food and to-and-fro charges and Post Placement Support (PPS) to candidates, and payment of salaries to trainers, master trainers and Q-team (processes for dealing with such delays are elaborated in **Annexure II**)

b. Penalty Processes

Penalty processes comprise two main stages:

- Initiation of penalty proceedings and imposition of penalty
- Appeal against penalty

Initiation of penalty proceedings and imposition of penalty

A penalty may be imposed on a PIA for any kind of default, in one of the following ways:

As an escalation of the Alert process and initiation of penalty proceedings: If the PIA does not take satisfactory
action or provide a satisfactory explanation in response to a Red Alert, penalty proceedings may be
initiated by issuing a Show Cause Notice to the PIA. These proceedings may result in the imposition of a
penalty.



- *Directly after initiation of penalty proceedings*: Penalty proceedings may also be initiated by issuing a Show Cause Notice to the PIA, without going through the entire Alert process. These proceedings may also result in the imposition of a penalty.
- *Suo Motu*: In exceptional cases, a penalty may be imposed suo motu, directly by the competent authority, without initiating separate penalty proceedings, but after recording the reasons for such imposition.

A penalty imposed by the competent authority may be either **major** or **minor**.

A detailed description of penalties that may be imposed under each category is given in the table below.

Table Error! No text of specified style in document.-1: **Details of minor and major penalties**

Category	Penalty
Minor	1. Fine up to Rs. 50,000 per occasion
	2. Retraining candidates without any additional payment to PIA
	3. Closing of training centre/s
	4. Reduction of targets
	5. Censure
Major	6. Fines higher than Rs. 50,000 but not exceeding 2% of the project cost
	7. Closure of the project
	8. Blacklisting of PIA in the state for a specified period
	9. Blacklisting of PIA in the country for a specified period*

Note: All penalties are hierarchical with ascending order of severity. While imposing the penalties a competent authority impose a combination of penalties provided, due procedure as prescribed for imposing the higher penalty is followed.

* For blacklisting across the country by the State government, prior approval of MoRD will be required.

Appeal against penalty

Regardless of the process followed for imposition of a penalty, a PIA will have the right to appeal against the penalty to the Appellate Authority. However, even if a PIA decides to appeal, it has to comply with the terms of the penalty notice; that is, it can go in appeal only after the penalty is paid.

As part of its appeal, the PIA may provide relevant documents and also make a personal representation to the Appellate Authority.

The order of the Appellate Authority will be final and binding on all parties.

Note: The above does not take away the authority of the State/Centre to initiate other proceedings under applicable laws, including Revenue Recovery or Public Demands Recovery Act.

Issue of default notice - combining more than one default in a single notice

Generally a single notice will be issued for a single default. However, if more than one default occurs in a single process, the competent authority has discretion to issue a separate notice for each default.

(Clarification on single process: All steps included under heading level 4 in any chapter of the SOP will be treated as a single process. For example: Items under Section 5.2.1.3 will be part of a single process. But if more than one



default arises out of the inspection carried out under this section, the competent authority may decide whether to initiate action under one default process or as separate default processes. However, if defaults occur under sections 5.2.1.3 and 5.2.1.4 then separate default processes will be initiated under each section.)

Further, nothing in the foregoing precludes a competent authority from issuing a single notice for defaults occurring in different processes.

Communications related to defaults and penalties

All communications related to defaults will be sent to the PIA at the primary email id provided by the PIA in the project execution readiness form. The email is deemed to have been received by the PIA two days after the date of despatch. In addition, where penalty proceedings are initiated, notices will be sent to the PIA by Registered Post or Speed Post.

All communications related to defaults sent by the SRLM/CTSA/MoRD will specify the email id to which the PIA has to send its response. In addition, responses by the PIA to all notices related to penalties should also be sent by Registered Post or Speed Post to the address specified in the relevant communication.

Competent authority

Competent authorities to deal with all processes related to defaults are specified in "SF 10.1B: Competent authority for handling default procedures".

Impact of policy changes

Notwithstanding any of the procedures prescribed in this Chapter and Standard Forms, PIAs may be required to undertake or modify activities in the event of a change in government policy or programme objectives. In such cases, the new/revised activities to be undertaken by PIAs would be considered part of the streamlining process and would not constitute any penal action.



Annexure - I

Monitoring of the Prospective Project Work Schedule and action for default [This annexure replaces section 3.1.1.2]

These norms and procedures apply only to training commencement, that is, the number of trainees for whom training has to start; they do not apply to training completion or quality of training.

- The number of candidates in a batch after a batch is frozen will be treated as number of candidates for whom training has commenced and shall be considered for the purpose of monitoring of PPWS.
- The total number of cumulative trainings that have commenced till the end of every month will form the basis for evaluation of the PIA's performance, and not the number commenced in that month alone; that is, the cumulative performance at the end of each month will be assessed.
- The cumulative training achievement will be reviewed by CTSA/ SRLM as follows:
 - Shortfall in the cumulative total for training commencement should not be more than 10% of the target for the first 6 months from the project commencement date.
 - Shortfall in the cumulative total for training commencement should not be more than 5% of the target from the 7th month onwards, and up to 6 months before completion of the project. However, for projects with a duration of 1 year or less, there should be no shortfall from the 7th month onwards.
 - There should not be any shortfall in the cumulative training commencement target for the last 6 months of the project.

Any deviation from the norms prescribed above will constitute a default and will be dealt with as per the timelines of Sections 10.2 and 10.3.

The process for issue of Alerts and initiation of penalty proceedings will be as follows:

- A Yellow (Level 1) Alert will be issued the first time there is a shortfall in achievement of the cumulative target at the end of a month. The Alert will be closed if there is no shortfall at the end of the following month. For any subsequent shortfall, a new Yellow Alert will be issued.
- If the shortfall continues that is, if there is a shortfall at the end of the month immediately following the one for which the Yellow (Level 1) Alert was issued then the Yellow Alert will be escalated to a Red (Level 2) Alert. The Red Alert will be closed if there is no shortfall at the end of the following month. For any subsequent shortfall, a new Yellow (Level 1) Alert will be issued.
- If the shortfall continues further that is, if there is a shortfall at the end of the month immediately following the one for which the Red (Level 2) Alert was issued then the Alert processes will be escalated to Penalty processes.
- Once a default escalates to the penalty stage, all Alerts will be stopped until one of the two steps given below is completed:
 - If a decision is taken that penalty proceedings will not be initiated and no Show Cause Notice is issued:
 MoRD/SRLM will indicate the action to be taken for the next occurrence of a default; failing this, a
 Yellow Alert will be issued on the occurrence of the next default.
 - o *If a decision is taken to initiate penalty proceedings:* A Show Cause Notice will be issued after considering the actual cumulative performance at the end of the previous month, and the competent authority will consider the current performance before taking a decision regarding imposition of penalty. The order



imposing a penalty or dropping of penalty proceedings will indicate the action to be taken for the next occurrence of a default; failing this, a Yellow Alert will be issued on the occurrence of the next default.

For example: If on 8 February, a Yellow Alert is issued for a shortfall in January, then by end of February, the PIA has to achieve the cumulative target for the month of February for the Yellow Alert to be closed. If the cumulative target is not achieved in February, then a Red Alert will be issued on 8 March. If the cumulative target for the month of March is not achieved, then it will be escalated to penalty processes.



Annexure - II

Default procedures on payment of food and to-and-fro charges, post placement support to the candidates, and payment of salaries to trainers, master trainers and Q team members

Periodicity, timelines, accounting and audit procedures for payment of food and to- and-fro charges, post placement support to the candidates and salaries to trainers, master trainers and Q team members are detailed in chapter 8 of SOP. This SF deals with procedures to deal with defaults related to these payments.

Every payment due to every single candidate/trainer/master trainer/Q team member should be made by the prescribed due date. Delay in even a single payment to a single individual would constitute a default.

The action to be taken for such a default will be measured on the basis of the number of fortnight(s) that have elapsed since the due date for payment. Depending upon the extent of delay, Alerts/Notices will be issued as per the following table:

Table Error! No text of specified style in document.-2: Conditions for issue of Alert/Notice

Sl.	Delay	Alert/Notice
1	Not paid on due date but paid within the same fortnight in which due date falls (e.g. if payment is due by 3 rd of a month but paid any time after 3 rd but before 15 th of the month)	Yellow (Level 1) Alert
2	Not paid in the same fortnight in which due date falls but paid within the next fortnight (e.g. if payment is due by 3 rd of a month but paid any time after 15 th but before end of the month; or if payment is due by 18 th of the month but paid any time after 1 st but before 15 th of the next month)	Red (Level 2) Alert
3	Not paid within the fortnight following the one in which due date falls (e.g. if payment is due by 3 rd of a month but not paid by the end of the month; or if payment is due by 18 th of the month but not paid by 15 th of the next month)	Escalation to penalty process (recommendation to MoRD for initiation of penalty proceedings) for YPS and issue of Show Cause Notice for APS

A sample schedule for issue of Yellow/Red Alerts for payment of food and to-and-fro charges to a single candidate is indicated below:

Table Error! No text of specified style in document.-3: Sample for complete cycle of Alerts

Sl.	Period for which payment to be made	Due date for payment	Completion of monthly verification date	Actual payment date	Issue of Alert date	Type of Alert to be issued
1	16 th to 31 st December 2015 (2 nd fortnight)	3 rd January 2016	29 th February 2016	For payment made between 4 th and 15 th January 2016	8 th March 2016	Yellow Alert
				For payment made on 16 th and 31 st January 2016	8 th March 2016	Red Alert



2	1 st to 15 th January 2016 (1 st fortnight)	18 th January,2016		For payment made on 19 th to 31 st January 2016	8 th March 2016	Yellow Alert
				For payment not made by 31 th January 2016	8 th March 2016	Red Alert

While every single instance of delay or non-payment will invite the issue of an Alert, a PIA will be sent a consolidated list of Alerts for each month – that is, all the individuals for whom payment is pending will be listed, with the kind of Alert being issued in each case indicated against the name of each individual.