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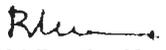
*from CVO's Desk.....*

*Corruption in any society or organization has a debilitating effect. Corruption breeds and sustains on equal measures through action and inaction. Action is, of course by the corrupt, perpetrating their self-serving, nefarious, unethical and illegal activities whereas, inaction is by the affected and citizens at large who remain apathetic as they do not perceive any direct effect from the corrupt activities. This lack of perception, to a large extent, is seen to be due to lack of proper awareness about ones guaranteed rights and responsibilities as member of civil society and the existing mechanisms of good governance.*

*It is in this context the relevance of systematic awareness campaigns need to be appreciated. The CVC, since the year 2000 has been the motive force behind annual observance of Vigilance Awareness Week by all organisations falling within its jurisdiction to spread awareness by disseminating relevant and valuable inputs to employees as well as public at large about bad effects of corruption at macro and micro levels, how passive attitude and inaction foster corruption, ways and means at citizens' disposal to contain the menace and thereby, kindle their enthusiasm to act within their means to support anti-corruption activities.*

*This year, the Vigilance Awareness Week is being observed from 28<sup>th</sup> October to 2<sup>nd</sup> November, 2013, with the theme "Promoting good governance – Positive contribution of Vigilance". Various programs, designed to share information and spread the message are being organized in VSP for employees and their dependents. I request all to participate and derive benefits.*

*With best wishes,*

  
(B Siddhartha Kumar)

## Observance of Vigilance Awareness Week 2013

The Central Vigilance Commission has decided that this year the Vigilance Awareness Week would be observed by all the organizations falling within the advisory jurisdiction of the Commission from 28<sup>th</sup> October to 2<sup>nd</sup> November, 2013. Accordingly, the observance of the Vigilance Awareness Week would commence with the Pledge on 28<sup>th</sup> October, 2013 at 11.00 a.m.

The theme for observance of Vigilance Awareness Week this year is "Promoting Good Governance - Positive Contribution of Vigilance". Apart from creating awareness, the Commission suggested Vigilance administration can contribute effectively in promoting good governance by sensitizing the people at large as well as the public servants in the organizations.

Commission also advised that Public Sector Enterprises, societies and local authorities may read the message (pledge) to Board of Directors by respective Chairman in the Board/Governing body meeting being held prior to the Vigilance Awareness Week.

The Commission vide its circular dated 25 / 09 / 2013 has advised Organizations under its jurisdiction to consider the following activities during the Vigilance Awareness Week:

- Displaying of banners, posters etc, at prime locations in offices;
- Organizing seminars/workshops inviting prominent faculty;
- Organizing competitive debates/lectures/essay writing on moral values, ethics, good governance practices etc., amongst the employees and the students in the colleges/schools in local areas and to distribute prizes;
- Bringing out special issue of journals during the period;
- Request the non-government organizations, institution and service associations in the local area to participate in the Vigilance Awareness campaign; **(For complete circular, please visit <http://cvc.nic.in>)**

**Toll free number for lodging complaints with Vigilance Department**

**1800 425 8878**

**(available from 09.00 -17.30 on all working days)**



राष्ट्रीय इस्पात निगम लिमिटेड  
Rashtriya Ispat Nigam Limited



## COMMON IRREGULARITIES/LAPSES OBSERVED IN STORES/PURCHASE CONTRACTS AND GUIDELINES FOR IMPROVEMENT IN THE PROCUREMENT SYSTEM

Chief Technical Examiner's organisation of Central Vigilance Commission (CTE of CVC) had earlier released a booklet on "Common irregularities / lapses observed in stores/purchase contracts and guidelines for improvement in the Procurement System". It is being reproduced for information and guidance of our readers. This is the 5<sup>th</sup> & Final part of the booklet.

### 17.0 Performance Bank Guarantee

Most of the organizations are not stipulating the requirement of Performance Bank Guarantee while others are stipulating different amount of Security deposit /Performance Bond. In some cases, it has been noted that the amount of PBG is too low in comparison to the contract value. The validity of Bank Guarantees is also not being scrupulously monitored and the extension in the Bank Guarantees commensurate with the delivery period extensions is not being sought resulting in loss to the Govt in the event of non-performance of the contract

- In order to safeguard the Govt. interest, it would be appropriate to take reasonable amount of Performance Bank Guarantee valid up to warranty period for due performance of the contract. The validity of the Bank Guarantees needs to be carefully monitored and whenever extension in the delivery period is granted, the validity of Bank Guarantee should also be appropriately extended so as to protect the Govt. interest. The genuineness of the BGs should be checked from the issuing bank.

### 18.0 Stipulation of delivery period in the contract

Delivery period is the essence of any contract. It has been observed that in some of the cases, specific delivery period with reference to the terms of

delivery is not being incorporated as mentioned below:-

- Only the date of offering the equipment for Pre-despatch inspection is stipulated as the delivery period, though the terms of delivery are on CIF basis / FOR destination basis.
- Only the date of completion of supply of the equipment is stipulated as the delivery period even though the installation & commissioning of the equipment is also to be carried out by the supplier. For installation & commissioning, no specific date is stipulated. In absence of any contractual binding in this regard, the suppliers claim the full payment for supplies of equipments and then tend to behave in an irresponsible manner and do not bother to take up timely installation / commissioning resulting in the equipment remaining uninstalled for months / years together.

The specific delivery period for supply as per the terms of delivery such as FOR station of despatch / destination and for completion of installation with the necessary provision for Liquidated damages / penalty clause in the event of delay in supplies/ installation needs to be incorporated in the contract.

### 19.0 Guarantee / Warranty Terms

The guarantee /warranty clause incorporated by some of the organizations is quite sketchy. The modalities for enforcing the warranty

obligations are not being incorporated. Due to incomplete guarantee/warranty terms, the suppliers take full leverage and do not bother to honour the guarantee / warranty obligations resulting in the equipment remaining defective and unutilized and thereby causing loss to the Govt. It has been observed that in cases where the installation of the equipment is also included in the scope of contracts but the standard guarantee/ warranty clause of 15 months from the date of shipment/ despatch or 12 months from the date of delivery, whichever is earlier is being incorporated. With the result due to delay in installation of the equipment, the guarantee / warranty expires even before the installation of the equipment or sometimes a very short period of guarantee / warranty is available.

Detailed guarantee/ warranty clause embodying all the safeguards be incorporated in the tender enquiry and the resultant contract. It also needs to be ensured that in installation / commissioning contracts, the guarantee / warranty should reckon only from the date of installation/commissioning.

### 20.0 Post-contract Management

#### 20.1 Modification of contract terms / specifications

After award of the contract, amendments / modifications having financial implications are authorized in the contract terms / specifications giving undue benefit to the suppliers. Some of

these are enumerated below:-

i) The specifications are diluted e.g. though specific makes / models of an equipment are specified in the contract as per firm's tender, however, subsequently supply of some more alternative makes / models of the equipment are authorized without taking into account the financial implications thereof. It has been observed that generally lower priced alternative makes/models are being included subsequently in the contract giving undue benefit to the supplier.

ii) The payment terms are amended favourable to the supplier e.g. advance payments are authorized even when there was no provision in the contract for making advance payments. At times higher advance payments than stipulated in the contract are authorized.

iii) The Pre-despatch inspection though was incorporated in the contracts but, the same was subsequently waived without any reasons, thus jeopardizing the quality aspects as per contractual requirement.

iv) The submission of Performance Bank Guarantee was waived.

v) Even though the contracts were placed on FOR destination, the locations of the consignees were changed nearer to the supplier's premises without taking into account the benefit of freight charges.

• After conclusion of the contract, any relaxation in the contract terms / specifications should be severely discouraged. However, in exceptional

cases where the modifications / amendments are considered to be absolutely essential, the same should be allowed after taking into account the financial implications for the same.

## 20.2 Post-contract Monitoring

i) The post contract monitoring is being handled in a very casual and lackadaisical manner. It has been noticed that due to lack of coordination and diversified approach followed by various agencies in the implementation of the projects the same resulted in time and cost over-runs.

ii) It has been noticed that in some cases even after expiry of delivery schedule stipulated in the contract and without extension of time granted by the purchaser, the consignees keep on exchanging correspondence with the suppliers and thereby keep the contract alive. This may result in serious legal complications if it is intended to cancel the contract. It has also been noticed that even the materials are being accepted and payments are released as and when the supplier makes the supplies. There is utter disregard to the contracting norms relating to delivery period, which is the essence of the contract.

iii) Generally, the purchaser extends the delivery period of the contracts. However, in some cases it was recorded that the 'Supplier' has extended the delivery period of the contract.

iv) Some of the organizations do not incorporate Liquidated Damages/Penalty clause for imposing the penalty in case

of failure of the suppliers to deliver the equipment within the stipulated schedule. The suppliers quote short delivery period and in absence of deterrent conditions in the contract, manage repeated extensions. In some of the cases, it has been observed that Liquidated Damages for delay in supplies are not being levied and recovered from the suppliers.

v) It has also been noticed that although there had been delay attributable on the part of the supplier in making the timely supplies, the organizations are extending the letter of credit with the proviso that the L/C extension charges shall be borne by the organization, thereby giving undue benefit to the suppliers.

• It is essential to accord priority to the post contract follow up. The delivery period should be extended on bonafide request and not in a routine and casual manner. After expiry of delivery period, the consignees should be refrained from exchanging correspondence with the supplier. In case of delay in supplies by the supplier, the liquidated damages to the extent possible need to be recovered. Also in case of delay attributable on the part of the supplier, the L/C extension charges should be to supplier's account. In nutshell, there is a need to discipline the suppliers so that the non-performers could be weeded out and the suppliers which can be relied upon with consistent performance, in terms of quality and delivery schedule are encouraged.

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## Answers to 'Do you know?' on Page - 8

- |  |                         |
|--|-------------------------|
| 1. Money paid to someone, who knows too much, to keep him silent.      | 4. Chief Belief Officer |
| 2. Three wise monkeys --- see no evil, hear no evil and speak no evil. | 5. 'bill', 'pay'.       |
| 3. Banksters.  |                         |

## Communicating leadership in fighting Corruption

(By Shri Prabhat Kumar, Director, CVC, as published in Vigeye Vani, Jan-March 2013 issue)

In any organization, it is the leaders, who are the driving force in creating the enabling environment for the organization to achieve its vision. Whether it is team building, communication, motivation, strategic planning etc., it is the leaders, who give shape and direction and prepare the managers and employees to take on the challenges faced by the organizations. Vigilance / Anti-corruption is also a management tool and hence it is incumbent upon the leadership to play an integral role in combating corruption within the organization.

As per the competing values framework, a leader has to act as facilitator, mentor, innovator, broker, producer, director, co-ordinator and monitor. As a mentor, he has to involve in understanding self and others and communicate his vision effectively to employees. As a facilitator, he has to build teams, manage conflicts and use participative decision making. The biggest bottleneck which a leader can face is to deal with the information asymmetry within the organization about its culture, practices, structure and employees. There may be espoused theories about the organization but in practice the ground

situation may be completely different. In structural organizations, like bureaucracy which is hierarchical, the communications are normally unidirectional. The flow of information is usually from top to bottom. A simple test which can determine that whether the communication is two way or otherwise is to observe the number of times a junior officer is calling a senior on the intercom. In majority of organizations, the juniors do not feel encouraged to talk to seniors on their own on the intercom. Due to this broken or unidirectional communication, the gap between the espoused theory and theory in practice widens leading to corrupt practices being followed. Communication in hierarchical organizations is based on single loop learning and leaders normally create a mental model of the employees and continue to judge the employees based on these mental models. It is needless to say that combating corruption in such organizations remains a Herculean task.

The first challenge before the leadership is to know the organization in its entirety i.e. its structure, processes, culture, employees, motivation levels, stakeholder's opinion, conflicts and its causes etc. For this purpose, techniques

like Johari Window can be used. Leaders also need to eliminate the mental models, which are the deeply held internal images, assumptions and myths developed from experience about how the world works. In single loop learning, it is assumed that the problem is caused by the other person and the other person needs to change either by rational persuasion or direct influence or direct critique. The leadership needs to mentor the employees with the right kind of communication techniques to reduce any leaps of abstractions. There is also a need to combine advocacy and inquiry. The advocacy is a statement that communicates what an individual thinks, knows, wants and feels whereas inquiry is a question whose purpose is to learn, what an individual thinks, knows, wants or feels. The leaders also need to use the techniques of reflective listening and feedback. Reflective listening uses the path Listen for meaning Reflect without judgement Listen for validation.

As the world move from structural organizations to learning organizations, the leadership has to mitigate information asymmetry within the organization so that everyone can join hands together to combat corruption within.

## Vigilance Concepts

(By Shri R Sri Kumar, Vigilance Commissioner, CVC, as published in Vigeye Vani, August 2012)

In order to bring home the fine distinction between various Vigilance concepts and strategies as they are put into practice, the following Table showing the different steps in tackling road accidents and burglaries helps to understand the concept of the five facets of Vigilance better.

	Measures to contain road accidents	Measures to contain burglaries
<b>Punitive Measures</b>	identify the driver responsible and punish the driver	identify the burglar responsible and prosecute him
<b>Preventive Measures</b>	mandate requirements of Driving license, age limits for driving, fitness certificate and road worthiness of the vehicles, insurance cover etc.	use a good lock for the house doors, keep valuables in a safe deposit locker etc
<b>Proactive Measures</b>	tighten enforcement, better road engineering, education of road users etc	organize patrolling, surveillance, Keep records such as History sheets, Village crime Note books, etc
<b>Predictive Measures</b>	use breathalyser for testing drunken driving, accident spots being marked with cautionary signs	CCTV with video analytics, surveillance of offenders on parole etc
<b>Participative Measures</b>	concept of Designated driver who does not drink during a party so that others can be safely driven home, civilian traffic warden, Road safety weeks	Neighbourhood watch schemes, Community policing etc

Punitive Vigilance	Preventive Vigilance	Proactive Vigilance	Predictive Vigilance	Participative Vigilance
Identify the corrupt, collect evidence, take disciplinary or criminal action, punish the guilty, follow up till appeal stages are complete and sentence is served	Have a separate vigilance machinery to conduct investigations, improve systems and procedures, have Assets declaration of employees, frequent and surprise Inspection etc	Bring in more transparency/witness protection programs, leverage technology and have E-procurement, periodic reviews etc., Lists of officers of doubtful integrity	Introduce professional project management techniques with Business Analytical tools, to identify points and places of corruption, Agreed lists, job rotations	Crowd Sourcing, Not one I.O. but a team of investigators and prosecutors to handle the case, vigilance awareness week, whistleblower program

## HONOURING THE HEROES IN THE FIGHT AGAINST CORRUPTION (Transparency International's Integrity Award)

Transparency International's Integrity Awards honour the bravery of individuals and organisations around the globe whose efforts are making a distinct difference in curbing corruption. These Awards recognise the courage and determination of the many individuals and organisations fighting corruption around the world.

Launched in 2000, the Integrity Awards have honoured remarkable individuals and organisations worldwide, including journalists, public prosecutors, government officials and civil society leaders.

Winners are a source of inspiration to the anti-corruption movement because their actions echo a common message: that corruption can be challenged. His Eminence Cardinal Christian Tumi has been selected for Integrity Award for the year 2011 for his outstanding leadership in fighting corruption.



### HE Cardinal Christian Tumi : Integrity Award Winner for the year 2011

From a young priest organising local community meetings on the consequences of corruption to a present day leader of public opinion, Cardinal Christian Tumi has been steadfast in his resolve to see Cameroon become a state where integrity is seen as a viable way of life for all.

In a country where public trust in government and the rule of law has been eroded by corruption, His Eminence has been a beacon of integrity for more than three decades. As a Cameroonian proverb goes "the darkness of night cannot stop the light of morning", and Cardinal Tumi's story serves as inspiration for all; proof that a life of honesty can illuminate the path for others to live with integrity, however dark the threats and temptations.

Cardinal Tumi was one of the first to publicly denounce Commandement Operationnel, a Cameroonian state special security force put in place in 2000 to tackle rising crime rates but allegedly resulting in torture and extrajudicial killings, according to human rights groups. Tumi subsequently led a church enquiry into the disappearance of citizens despite receiving death threats himself.

In a country where journalists often fear speaking the truth, Cardinal Tumi has fought for a free press and established a radio station, Radio Veritas or Truth Radio, which regularly denounces government corruption and calls for free and fair elections. His two books paint a critical picture of a country where democracy is absent and the abuse of power is widespread, but also convey a message of hope: that the integrity of its citizens can bring a brighter future for Cameroon.

## CVC CIRCULARS

### Circulars issued by CVC during the quarter ending 30.09.2013:

S.No	Subject	Circular No. & Date
01	Rotation of officials working in sensitive posts	004/VGL/090/225553 & 11.09.2013
02	Observance of Vigilance Awareness Week – 2013	013/VGL/082 & 25.09.2013

For complete text of the Circulars, please visit [www.cvc.nic.in](http://www.cvc.nic.in)

**INSPECTIONS / CASE STUDIES & SYSTEM IMPROVEMENTS SUGGESTED****1. Study of tender - Works Contracts**

A detailed enquiry into a complaint received in Vigilance against the processing of a tender revealed that there is no clear guideline whether to consider or otherwise, the escalation & service tax as a part of value of actual work executed by tenderer during PQ evaluation. Different approaches were adopted by various dealing officers during PQ evaluation, leaving scope for bias. In view of the above, following were suggested by Vigilance:

Contract awarding departments should decide whether to consider or otherwise the escalation & service tax as a part of value of actual work executed by tenderer for PQ evaluation, should incorporate the decision in the existing tendering procedure, and also should bring out the same in NIT conspicuously. Work Execution / Completion Certificates issued should also be in line with the procedure, as finalized.

**2. Contract Clauses and their amendments**

Observing that additions /deletions / amendments to standard printed clauses of tender are not always getting reflected appropriately at the relevant pages, though included as an 'addendum' in the agreement, it was suggested that additions /deletions / amendments to standard printed clauses be marked appropriately on relevant pages and counter signed by the officer issuing the agreement in addition to mentioning them in the addendum, to draw attention and provide easy reference.

**3. Quality check of Ferro Alloys**

During the quality check of Ferro Alloys supplied by different parties, it was observed that these materials are not meeting quality parameters as specified in A/T. The department concerned was advised to take necessary action as per the Terms & Conditions of the Purchase Order. Later on, the same material was rejected by the department.

**4. Inspection of Civil Works**

During an inspection of Civil works, it was observed that though some of the test results against concrete cubes were not as specified by IS, the zone has not initiated any action against the agency. The concerned was advised to take appropriate action as per contract and Zone informed that appropriate action has been initiated and recoveries will be made from the forthcoming RA Bills.

**5. Surprise check at Appikonda Weighbridge**

During a Surprise check at Appikonda Weighbridge, it was observed that the difference between reweighed weight and initial weight is beyond the tolerance Limit. The same was communicated to Works division advising them to take appropriate action on the above. It was confirmed by Works division that action has been taken.

**6. Inspection of store items of SH-15&16 at JLM&MDM Mines**

During the inspection of store items it was noticed that four numbers of motor units were lying in the stocks during the warranty period. Since the testing/running of motors was not done by the user department immediately after issue of GARN, the provision for claims under the warranty clause against manufacturing defects, if any, became ineffective.

Observations were communicated to department for necessary action. Department had replied that in future the observations of Vigilance will be kept in view.

**7. Procedure for change of Engineer**

It was noticed that clear guidelines are not available in one of the area/division to deal with of change of Engineer of an on-going contract and thereafter, communicating the change to the contractor as well as to all concerned. Hence, the department has been advised to formulate a procedure to address the above matter and to communicate to all the concerned for compliance to the same. It was also suggested to include the new system adopted in the Common Contract Procedure being finalized.

**8. Processing of Annual Maintenance Contracts of Works Division**

A detailed enquiry into a complaint received in Vigilance against the processing of a tender revealed that the time period from initiation of proposal to award of the contract is approximately 3 to 5 months. However, in most of the cases during last 10 years, the proposal for new contract in respect of a particular work was moved at the last moment (2-3 weeks before expiry of contract period) creating pressure to extend the running contract. Hence, all the concerned have been advised to process the annual contract proposals well in advance considering the date of closing of the on-going contract, to avoid last moment urgency and extension of on-going contracts.

**NEWS AND EVENTS**

1. 1<sup>st</sup> Surveillance Audit of QMS of Vigilance Department was carried out by M/s Tata Quality Services on 23.09.2013.

2. In pursuance of the instructions issued by the Central Vigilance Commission, Vigilance Awareness Week (VAW)-2013 will be observed in RINL, Visakhapatnam Steel Plant from the 28<sup>th</sup> October to 2<sup>nd</sup> November 2013. The main focus of observing Vigilance Awareness Week is spreading awareness about effective contribution of Employees, Stakeholders, in the initiatives to spread awareness against corruption, thereby, promoting good governance in the organisation.

To spread the message of VAW-2013, various competitions are being organised for School Children, Employees and their dependents, as shown:

**For School Children :**

Item	Eligibility	Topic
ELOCUTION (Hindi/ English/ Telugu)	Students of Class 6 to 10 (For all the Ukkunagaram and Outside schools of VSP)	नैतिक मूल्यों और आचारका महत्व Importance of moral values and ethics నైతిక విలువలు మరియు నైతికత యొక్క ప్రాముఖ్యత
ELOCUTION (Hindi/ English/ Telugu)	Students of Class 11 and 12 (For all the Ukkunagaram and Outside schools of VSP)	सुशासन को बढ़ावा देना Promoting good governance మంచి పాలన ప్రోత్సహించడం
PAINTING	Senior Students & Junior Students (For Auronodaya Special School)	-----

**For School Children :**

Item	Eligibility	Topic
ESSAY (English)	Students of class 6 and 7 (For the schools at Mines- MDM/JLM)	Children's contribution in building moral values in society
ELOCUTION (English)	Students of 8 to 10 (For the schools at Mines- MDM/JLM)	Importance of moral values and ethics
SKIT (Hindi/ English/ Telugu) Date: 29.10.2013	Students upto class 10 (For all schools of Ukkunagaram and Outside)  Venue: MP Hall, Ukkunagaram Club	Role of children in building Honest Society

**For Employees & their dependents :**

Item	Language	Topic
SLOGAN	Telugu	నైతిక విలువలు, నీతి మరియు మంచి పరిపాలన
	Hindi	नैतिक मूल्य, आचार और सुशासन
	English	Moral values, Ethics and Good Governance

**For Employees :**

Item	Venue	Date & Time
QUIZ	ED(W) Conference Hall	30/10/2013 – 10.00 Hrs to 13.00 Hrs

**Do you know?**

(Questions from Vigilance QUIZ conducted in 2012)

1. What is hush money?
2. What are Mizaru, Kikazaru and Iwazaru?
3. Which term was coined by Ferdinand Pecora to describe bankers involved in financial crimes?
4. Future Group has appointed Devdutt Patnaik as CBO. What is CBO?
5. Complete the Murphy's Law of Contracts. "Where there is a -----, there is a -----."

(For answers, turn to Page-3)

**CHECKS CARRIED OUT BY VIGILANCE DEPARTMENT DURING JULY - SEPTEMBER 2013**

Activity	Numbers
1. Surveillance / checks	54
2. Road/Rail Re-Weighments	14
3. Quality checks	08
<b>Total</b>	<b>76</b>

Editorial Board: Raju Isaac, DGM (Vig), M Jaya Raju, AGM (Vig) and GY Rama Mohana Rao, Sr. Mgr (Vig)

Please visit <http://www.vpsite.org:85/vigilance/Spandana/tabid/70/Default.aspx> to read Spandana online.Feedback for improvement is welcome and may be sent to [spandana@vizagsteel.com](mailto:spandana@vizagsteel.com)