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from CVO's Desk.....

My hearty greetings to the RINL collective.

I have assumed additional charge as CVO-RINL on 4th of July, 2011. I understand that the company is striving to improve its market lead and sharpen its competitive edge through innovative approaches and also through rapid and timely implementation of its expansion and modernization programs. Let us all work together towards its successful culmination, but of course, without in anyway compromising the principles of integrity, transparency, ethics and fairness.

Looking forward to a pleasant and fruitful association and with best wishes,

S. S. Galgali.
(Shreenivas Galgali)

NEW CENTRAL VIGILANCE COMMISSIONER

Shri Pradeep Kumar, IAS (1972-Haryana) assumed the office of CVC on 14-07-2011.

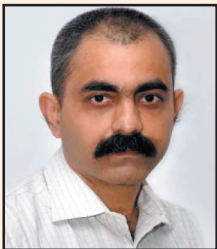
He is a graduate in Electrical Engineering from Indian Institute of Technology, Delhi and Masters in Economics and Social Studies from the University of Wales, UK. He has a rich and wide experience in the field of public administration and has held many senior positions in the Government of Haryana and Government of India. He has worked as Director of Industries, Principal Secretary, Power, Irrigation, Science and Technology, Town and Country Planning and Urban Estates departments in the Government of Haryana.



He has also worked as Joint Secretary in the Department of Heavy Industry, Additional Secretary in the Ministry of Coal, Chairman, National Highways Authority of India, Secretary (Disinvestment) in the Ministry of Finance and Secretary (Defence Production), and Government of India. He has served on the Boards of a number of leading companies including Bharat Heavy Electricals Ltd., Maruti Udyog Ltd., Andrew Yule Ltd., Hindustan Paper Corporation Ltd., Coal India Ltd., and Neyveli Lignite Corporation Ltd.

His last posting in Government of India was as Defence Secretary.

CHANGE OF GUARD @ HOME



Sri Shreenivas Galgali, I.T.S., assumed charge as CVO, RINL on 04-07-2011. He has been holding the post of CVO, KIOCL and will be holding additional charge of CVO, RINL.

Spandana extends a warm welcome to him.



After serving the company as CVO from 04-08-2008, Sri K. Vidyasagar, IAS, demitted office on 29.06.2011 on repatriation to his parent cadre.

Spandana wishes him all success in his future assignments.

**TOLL FREE NUMBER FOR LODGING COMPLAINTS WITH VIGILANCE DEPT.,
1800 425 8878**



PROBLEM AREAS OF CORRUPTION IN CONSTRUCTION

Chief Technical Examiner's organisation of Central Vigilance Commission (CTE of CVC) had released a booklet on "Problem Areas of Corruption in Construction" in Aug 2002. The second part of the same was reproduced for information and guidance of our readers in Spandana (January - March 2011). This is the **third part** and subsequent issues of Spandana will carry the remaining parts of the booklet.

5.0 CONSULTANCY (Continued from previous issue)

5.1.9 Consultants were allowed to receive sale proceeds of tenders:

Some of the banks and public sector undertakings allowed consultants to invite tenders on behalf of the organisation. Consultants collected the sale proceeds of the tender documents sold and did not remit the amount to the concerned PSUs etc. This is highly irregular as it amounts to undue financial benefit to the consultant beyond the scope of contract.

***ILLN** : In case of a pipeline project, consultant was asked to invite tenders. The consultant, in turn, charged exorbitant cost for tender documents and kept the sale proceeds with them, resulting in undue benefit to them.

5.1.10 No control on the travel expenses of consultants for site visits:

Many cases of excess payment to the consultants on travelling expenses have been observed. Payment made towards travelling expenses sometimes exceeds the fee payable to the consultants.

ILLN : For a work in Punjab, Mumbai based Architects were appointed. The fee payable to them was Rs.6.00 lakhs. But the actual travelling expenses paid to them were Rs.7.5 lakhs. This was mostly done to extend favour to the known firms.

5.1.11 No check on consultants' planning, design, and execution - Contractors benefited in the process:

In many cases, it has been observed that the departments entrust the responsibilities relating to the preparation of estimate, structural design and execution of work to the consultant. The consultant tends to be over safe in the structural design because of the fact that the

above adds to the fees payable to them on account of increase in cost. It has also been observed that the consultants generally do not take much pain while doing the structural design and essential criteria such as earthquake resistance design etc. is ignored. Hence the checking the structural design and drawings of the consultants by the departmental officers is a must to ensure that the design is an economical one apart from the structural soundness.

ILLN : Pile foundation for a workshop building was designed with the capacity of piles, capable of carrying twice the required load. In the same project, high capacity piles (450mm dia, 20m deep) were provided for a single storeyed ordinary office building which does not require pile foundation at all.

5.1.12 Consultants passing on their responsibility to contractor :

ILLN : Consultant was supposed to give design and drawing as per the consultancy agreement. While preparing the tender document for construction work, the responsibility of the preparation of drawings and structural design was entrusted with the construction contractor by adding a condition to that effect. Finally, the contractors loaded the quoted rates for the above work and the consultant was benefited during the above process at the cost of the organisation.

6. PREPARATION OF TENDER DOCUMENT

Tender documents (generally called NIT) comprising of notice inviting tender, standard tender form with conditions, schedule of quantities, set of drawings, specification of the work etc. should be prepared and approved by the competent authority. The NIT should be properly bound and sealed and it should be made available for inspection.

6.1 PROBLEMS

6.1.1 Approval of competent authority not accorded:

In many PSUs/Bank's tender documents as prepared by the consultants are issued to the contractors without scrutiny and approval. Tender documents should be issued only after scrutiny and approval by the competent authority of the department to avoid irregularities.

6.1.2 Contain conflicting, vague and ambiguous provisions resulting in disputes, delays and financial losses:

Conflicting provisions in the tender documents often lead to dispute, delay and financial loss to the Government.

ILLN : In one of the Road contracts, a condition was stipulated that entire quantity of bitumen to be used in the work shall be brought by the contractor before commencement of work. At the same time, under escalation clause, it was mentioned that the difference between the actual purchase rate and stipulated rate (for issue of Bitumen by the Department) as and when the Bitumen brought by the contractor shall be paid to the contractor. The two stipulations were ambiguous. But the latter was operated to the benefit of contractor to the tune of Rs.1.5 crores on account of escalation in the price of bitumen.

6.1.3 Prequalifying criteria ambiguous/stringent:

It has been observed that either eligibility/prequalifying criteria is not specified clearly in the NIT or made very stringent thereby restricting the numbers of intending bidders.

ILLN : The prequalification criteria in one of the works of a Port was kept so stringent which resulted in prequalification of only one firm. The above was only to favour the favourite firm and ultimately work was awarded to the single contractor without competition.

6.1.4 Rate only Item:

"Rate only" items are seen provided in the bill of quantities without giving quantity against the item. Such

items do not alter the position of the tenderers irrespective of the rates quoted. For such items, generally abnormally high rates are quoted by the tenderers and such A.H.R. items are operated to the advantage of the contractor during execution. Therefore, the rate only items should not be provided in the tender documents.

6.1.5 Advance for old machinery already in possession of contractor:

It has been observed that in some of the hydel projects, plant and equipment advance to the tune of crores of rupees were allowed to the contractor for the old machinery acquired by the contractor prior to award of work for which no additional expenditure was incurred by the contractor after award of the work.

6.1.6 Mobilisation advance without interest:

This commission vide O.M. No.N4/POL/19 dated 8.12.97 directed that mobilisation advance should be allowed for selected works only and it should be interest bearing. But it has been observed in a number of cases that the contractors were given interest free mobilisation advance.

6.1.7 Unworkable period of construction:

The stipulated period of completion of work should be realistic based on magnitude of work etc. Stipulation of unworkable period leads to frequent grant of extension of time, litigation and corrupt practices.

ILLN-1 : In one hostel work of Rs.6.00 crores, initial time stipulated of 21 months in the NIT was reduced to 8 months during negotiations after receipt of tenders. However, period of completion reduced was not practicable considering the magnitude of work. This resulted in frequent grant of EOT and huge escalation payments and ultimately led to corrupt practices.

ILLN-2 : The period of completion of seven-storied building with basement was kept 12 months only. The work could ultimately be completed in three years, resulting into huge payments on accounts of escalation, irregularities in sanctioning E.O.T. etc.

6.1.8 Tender documents prepared by splitting bigger works deliberately to fall within the competency of subordinate officers:

Subordinate officers deliberately split the bigger works into smaller works so that these small works fall within their jurisdiction in respect of technical sanction, award of work etc.

ILLN : A jetty work was split into two parts to bring the tender within the powers of the subordinate officer. This resulted into a loss of Rs.1.5 crores(approx.) to the government by way of awarding the work at high rates.

6.1.9 Particular Brand of products stipulated:

It is appropriate to stipulate the use of ISI marked products instead of stipulating a particular brand of product in the tender document, as it encourages restrictive trade practice. Use of a particular brand of product might have been done to favour the known manufacturer.

6.1.10 Improper type of contract followed:

Works are generally awarded on item rate contracts. L.S. contracts are awarded when all design, drawings, specifications etc. were ready before inviting tenders.

ILLN : In a flyover construction case, the tender as per

the Department is based on lump sum basis. The work is to be executed as per the design and drawing to be given by the Department. The complete drawings should have been finalized before call of tenders. However, only part drawings were available. The contractors were asked to quote their rates in 2 schedules. Schedule-I contains quantity of various items to be executed for which lump sum price was to be quoted by the contractor. Schedule-II pertains to rates to be quoted for individual items in case of deviation in quantities specified in schedule 'I'. The tender is neither LS nor itemrate. The above type of contract is not an appropriate one due to the following deficiencies:-

The financial implication of the rates quoted in Schedule-II could not be worked out for deciding the "L1". Had the "L1" quoted very high rates in Schedule-II, it is a loss to the Govt. while executing additional quantities.

6.1.11 Voids to be deducted for earth filling (other than those below flooring) not specified:

ILLN : In a reclamation work, voids were not deducted on the pretext of nonspecifying percentage deduction in the contract resulting in huge financial benefit to the contractor.

-to be continued...

* ILLN - Illustration

CIRCULARS

1. Circular No. CVO/19/4110001295, Dated: 25/05/2011 on 'Declarations pertaining to property transactions - information to be furnished'.

The extant CDA Rules of the company, vide provisions under Clause 17, enjoins employees under its purview to submit annual returns of property held at the time of joining the company and subsequently as on 1st of January every year, and also to intimate details of property transactions undertaken by them to the Competent Authority within 30 days.

2. Random scrutiny of the returns and declarations received reveals that **one or more of the relevant details such as extent of property, location particulars, date**

of transaction, full address of the buyer/seller, source of funds especially in cases of transactions carried out in the name of dependents, particulars of repayment of loans etc. have not been furnished in several cases.

Further it has been noted that many officers have been indicating "Nil" or "No changes" in annual returns submitted in Form No.1, even though, there have been earlier declarations of immovable properties. Such declaration would be inadequate and not proper considering that the format prescribed by DPE for declaring immovable property (vide No.15(6)/98-DPE (GM) of 23rd Aug-04), which

has been adopted from 2005 onwards, bears the description - **"FORM No.1 - STATEMENT SHOWING DETAILS OF IM-MOVABLE PROPERTY ON FIRST APPOINTMENT AND ALSO ON 1st JANUARY OF EACH CALENDAR YEAR"**. Further, the form envisages declaration of **"Total Annual Income from the Property"** at Col.6, which would not be possible without bringing out the details of property held in every annual return.

3. Thus, the information furnished in many cases are seen not to contain full particulars of the property held/ transacted, and therefore, do not comply with the rules in their true spirit. Such incomplete declarations will be considered as non-submission of property returns for the year as it may pose problems at the time of scrutiny.

4. In this background, this is to inform all concerned that while furnishing information/ declaration as required under the rules, due care shall be taken to include all

relevant particulars regarding the property, as well as the transaction. In general, information mentioned below is expected to be indicated against the appropriate space in the standard forms used for submission of returns/ declarations.

(Form 1&2 are available at vigilance portal of Intranet at <http://comatvsp.vspsite.org /vigilance/ Forms/ tabid/ 56/ Default.aspx>).

However, it should be understood that the list is not intended to be exhaustive but is only indicative, and any other information considered relevant to make the declaration full and complete shall also be indicated. Such details/information should be submitted every year even though no property is acquired during the year of declaration, but the officer concerned is in possession of property acquired in earlier years. Thus, **"NIL"** or **"No Change"** for the relevant year is not acceptable

I. In case of Immovable Property :

Particulars	To be indicated at	
a. Type of property (Land-agricultural/ commercial/ residential etc, House-independent / flat / group / other type of buildings- etc.)	Sl. No. 05 of Form-2 (to be submitted within 1 month of the transaction)	Column 2 of Form-1 of Annual Returns
b. Land - Area/extent, Building - plinth area/carpet area, Number of bed rooms, type of construction etc.		
c. Location / full address details (Survey No. / Door No., Village, Mandal, Taluz, Division, District, State);		
d. Acquired from / transferred to (Name and full address of the seller / buyer);	Sl. No. 14 of Form - 2	
e. Acquired in the name of and relation with the employee;	Sl. No. 06 of Form -06	Column 3 of Form-1
f. Date of transaction;	Sl. No. 13 of Form -2	Column 4 of Form-1
g. Mode of acquisition (whether by purchase/mortgage/lease/ inheritance / gift etc.);	Sl. No. 06 of Form -2	

h. Cost of acquisition / construction inclusive of registration charges / taxes OR sale / disposal price;	Sl. No. 07 of Form - 2	Column 5 of Form-1
i. Full details of the Source(s) from which costs have been met/proposed to be met, indicating quantum of each clearly (salaries/agricultural income/sale of other property/loans or mortgages (name and postal address of the bank / fin. Institution / individuals from whom availed) / gifts / inheritances etc.);	Sl. No. 10 of Form - 2	
j. Details of repayments of loans, where applicable (like number and amount of installments);	Sl. No. 11 of Form - 2	

II. In case of Movable Property declarations required to be given within 1 (one) month of the transaction:

Particulars	To be indicated in Form-2 at
a. Full and clear description of the item (material / weight / make / model / type / capacity / quality etc.) ;	Sl. No. 05
b. Date of transaction;	Sl. No. 13
c. Mode of acquisition (whether by purchase / mortgage / lease / inheritance / gift etc.);	Sl.No. 06
d. Name and full address of the seller / buyer;	Sl.No. 14
e. Cost of acquisition inclusive of registration charges & taxes OR sale price;	Sl.No. 07
f. Full details of the Source from which costs are met / proposed to be met (salaries / agricultural income/sale of other property / loans / mortgages / gifts / inheritances etc.);	Sl.No. 10
g. Particulars of repayment of loans, where applicable (like number and amount of installments etc.);	Sl.No. 11

(Please visit <http://comatvsp.vpsite.org/vigilance/Circulars/tabid/55/Default.aspx> for the full circular.)

2. Guidelines on Selection and employment of Consultants (Circular No. 08/06/11 dated.24th June, 2011 of CVC)

The Central Vigilance Commission has issued guidelines to be kept in view while finalising the contracts for engaging consultants in government contracts. The guidelines cover various aspects of the role and professional liability of the consultants such as conflict of interest between consulting activities and procurement of goods and

services (other than consultancy services covered by these guidelines); conflict between consulting agreements; consultant's relationship with employer's staff; limiting of proposals and unfair competitive advantage. The complete circular is available at the commission's web site www.cvc.nic.in.

CASE / SYSTEM STUDIES

1. Study of Pre-Qualification Criteria

During study of Pre-Qualification Criteria (PQC) stipulation in one tender, it was observed that a specific approval was taken from the competent authority to modify the PQ Criteria in respect of value of single similar work experience with a view to increase the competition in open tender. Study revealed that NIT was prepared without taking the modified PQC into consideration while floating tender and only three Bidders participated. The omission went un-noticed and the department had gone ahead with the finalization of tender at higher rates.

The lapses were pointed out to the dept., and the dept., modified the procedure by an Office Order directing all concerned to prepare draft NIT and obtain approval of HOD before finally releasing the matter for press publication/uploading in website.

2. Submission of Fake/doctored experience certificates by Contractors

The experience/work completion certificates submitted by certain Contractors/Vendors at the time of registration / tender were checked for authenticity /genuineness. Out of the ten cases referred for verification, in nine the experience/work completion certificates submitted by Contractors/Vendors were revealed to be either fake or doctored. Only in one case the certificates were found to be genuine.

All the nine Contractors/Vendors were debarred from doing business with the Company for five years. Earnest money/security deposit to the extent of Rs.45.00 lakhs has been forfeited and notices have been served for recovery of risk and cost amount from them.

3. Random checks of Energy meters installed in Commercial Premises/ places in Township

Random check revealed that in many places where power is supplied on commercial basis, energy meters were defective. Replacement was not done for long time, and in certain areas, energy meters were not installed at all. Separate agencies were involved in recording of energy meter readings and replacement of the defective energy meter. The system of revenue collection was very complex, which resulted in substantial revenue loss on account of nonpayment of proper energy consumption bills by the users. Estimated revenue loss of around Rs.3.00 lakhs was detected during the check.

Department has since taken steps for developing a module with the help of IT dept. for bringing transparency in billing system and single point responsibility of billing and replacement of defective energy meter. So far, recoveries to the tune of Rs.2.2 lakhs have been made from the defaulters.

4. Intensive examination of a work

Vigilance Department carried out Intensive Examination of a work relating to procurement and application. As per the contract, the supply and application of the material was in the scope of contractor. Vigilance study revealed that the contractor has sub-let the work of application without obtaining the approval of VSP. The observations of Vigilance were brought to the notice of the Department concerned. Corrective action was taken by the Department and a procedure for "Sub-letting the application portion" has been issued by MS Department vide No. P0/91/19 dt.01.07.2011.

NEWS AND EVENTS

1 CVC organizes first ever Interactive Seminar for Independent External Monitors (IEMs)

The Central Vigilance Commission organized a day long Interactive seminar for Independent External Monitors (IEMs) on April 19, 2011 at GAIL Training Institute, Noida. Shri Pratyush Sinha, former Central Vigilance Commissioner inaugurated the seminar. Mr. Anil Sinha, Additional Secretary, CVC, Shri L.N. Gupta, Joint Secretary & CVO, Ministry of Petroleum and Natural Gas, Independent External Monitors, CVOs and senior management executives of various PSUs participated in the seminar.

- i. The seminar was organised to provide a platform for sharing and updating technical knowledge on procurement matters considering the vital role of IEMs in the integrity Pact adopted by various Public Sector Organisations. Independent External Monitors have been appointed by over 50 PSUs/ Organisations which are implementing the Integrity Pact mechanism. An Interactive session with the senior officers of the Commission was also organised to review the impact of Integrity Pact and strengthen it as more effective transparency tool.
- ii. The Central Vigilance Commission had recommended the concept of Integrity Pact and its adoption for all major procurements in Government Organizations as a tool for bringing about greater transparency in procurements and contracts in December, 2007. The Integrity Pact envisages Independent External Monitors (IEMs) to objectively and independently monitor compliance of the obligations between the vendors and bidders and the buyers. As a period of over three years have lapsed since the concept was suggested by the Commission, a need was felt to assess the effectiveness of Integrity Pact in its implementation across various Organizations and to focus on measures to strengthen the same as an effective tool.
- iii. The seminar evoked enthusiastic response from IEMs, who are distinguished persons having wide experience in corporate governance and procurement matters. More than 50 IEMs from all parts of the country participated in the seminar. Deliberations at the seminar revealed that a very effective role is being played by IEMs in increasing transparency and instilling confidence in procurement activities. While the consensus was that a positive and constructive interaction has been witnessed in most CPSEs, some participants felt that there is a need to further clarify the role of IEMs.

Source:- <<http://www.cvc.nic.in/current.htm>>

2. Inter departmental 5S competitions:

Vigilance Department secured 3rd position in Group-V in the inter-departmental 5S competitions organised on 29.06.2011, by MS Department. The contest was evaluated and winners identified by external auditors from QCFL.

CHECKS CARRIED OUT BY VIGILANCE DEPT., DURING APRIL - JUNE, 2011

1. Surveillance / checks	61
2. Road/Rail Re-Weighments	13
3. Quality checks	06
Total	80

Editorial Board: Raju Isaac, DGM (Vig.), PSN Murty, AGM (Vig.) and GY Ramamohana Rao, Mgr (Vig.)

Please visit <http://comatvsp.vpsite.org/vigilance/Spandana/tabid/70/Default.aspx> to read Spandana online.

Feedback for improvement is welcome and may be sent to spandana@vizagsteel.com