



## Inside ...

Common irregularities / lapses observed in award and execution of Electrical, Mechanical and other allied contracts and guidelines for improvement thereof (Part-I)

System / Case studies...

News and Events .... Glimpses of events organised during VAW 2013

Checks carried out...

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

Warm greetings to all the readers and their family members on the happy occasion of New Year 2014, Pongal and 65<sup>th</sup> Republic Day.

Accountability mechanisms, when designed as part of a national effort to reduce corruption, comprise an "integrity system". This system of checks and balances is designed to achieve accountability between the various arms and agencies of government. The system manages conflicts of interest in the public sector, effectively disperses power and limits situations in which conflicts of interest arise or have a negative impact on the common good. This involves accountability, transparency, prevention and penalty.

An integrity system embodies a comprehensive view of reform, addressing corruption in the public sector through government processes (leadership codes, organisational change, legal reforms, procedural reforms in bureaucracies etc.) and through civil reforms. Even if corruption is endemic, it tends to be the result of systemic failures. The primary emphasis is on reforming and changing systems, rather than on blaming individuals.

Let us therefore dedicate ourselves to be honest to implement the vigilant procedures effectively to make these public sector undertakings function in an effective way so that they could reach the commanding heights in the economic and social development of the country.

With best wishes,

  
(B Siddhartha Kumar)

## NEW YEAR MESSAGE



CVO addressing senior officers on 1<sup>st</sup> January 2014

While addressing the senior executives on the occasion of New Year at Ukkunagaram, CMD, Directors and CVO, stressed the need to device methods to work collectively and weed out processes that extract most of our production time. The collective working should be supplemented with an intellectual and emotional commitment that ensures consistency, constancy, growth and opportunity to exhibit our untapped potential.

Speaking on the occasion, Sri B Siddhartha Kumar, IFS, CVO, RINL highlighted the achievements of Vigilance and stressed the importance of achieving, sustaining the rated capacity and stabilization of production from the new units with honesty and integrity.

**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 AWARD AND EXECUTION OF ELECTRICAL, MECHANICAL AND OTHER ALLIED CONTRACTS AND GUIDELINES FOR IMPROVEMENTS THEREOF

Chief Technical Examiner's organisation of Central Vigilance Commission (CTE of CVC) had earlier released a booklet on "Common irregularities/lapses observed in award and execution of Electrical, Mechanical and other allied contracts and guidelines for improvement thereof". It is being reproduced for information and guidance of our readers. This is the First part of the same and the subsequent issues of Spandana will carry the remaining parts of the booklet.

### 1. APPOINTMENT OF CONSULTANTS

1.1 Some organisations appoint consultants due to lack of inhouse expertise in technical matters. While hiring consultants is justified for such organisations, of late, it has been observed that even the engineering departments and some PSUs, with large technical setup have indulged in the practice of hiring consultants. It has invariably been noticed that the appointment of consultants is done in an adhoc and non-transparent manner without inviting tenders and without collecting adequate data about their performance, capability and experience. In some cases the consultants were appointed after holding direct discussions with only one firm without clearly establishing the job content and consultation fee payable to them. Often the scope of work entrusted to the consultant is either not defined properly or the consultant is given a free hand to handle the case so that experiments with impractical, fanciful and exotic ideas result in unwarranted costs. The organisations display an over dependence on consultants and invariably abdicate their responsibility completely. The officials do not even oversee the working of the consultants resulting in the latter exploiting the circumstances and at time, in collusion with the contractors, give biased recommendations in favour of a

particular firm. It has also been noticed that the consultants recommend acceptance of inferior items/equipments and also give undue benefit to the contractors like non-recovery of penalties for the delayed completion. Following illustrations are relevant to highlight shortcomings in appointment and functioning of consultants.

(i) In one such case the project was for design and construction of a training institute on a big plot of land in very posh and expensive area. The whole construction was two storeyed with no scope for future expansion. Ironically all other buildings in the vicinity are multistoreyed highlighting the fact that space utilisation here was very poor. Further, the walls in the reception area and on the outside of the auditorium were provided with acoustic insulation with no rationale. For air-conditioning of the library, instead of providing a single AHU of suitable capacity with ducting, etc., 20 plus AHUs had been provided in the room. Such fanciful ideas along with the poor planning and supervision, resulted in the project suffering heavy cost and time overruns. In one of the works for a bank in Mumbai, the substation equipment has been installed in the basement area, jeopardizing the safety aspect, as Mumbai gets its fair share of heavy rains and the area is also in close proximity to the sea.

(ii) In another case, the organisation invited and short-listed 5 consultants but awarded the contract to the highest bidder on the plea that the bidder had done a very good job in some other project with the organisation. Extra amount on account of travel expenses, boarding and lodging was also sanctioned, beyond contractual terms.

(iii) In yet another case the organisation for construction of its Head Office, invited bids to appoint a consultant for the project. In the pre-qualification clause one unique condition was incorporated which stated that the firm should preferably have a branch office in the city where the project was proposed to be implemented. However, this was not a mandatory condition. After receiving the offers, the firm, who was subsequently appointed, was rated better than the other (lower offers) on the grounds that the firm had a branch office in the city where Head Office was proposed to be constructed.

(iv) A bank, for construction of its Head Office in Mumbai, short-listed three firms after a thorough scrutiny of offers submitted by a large number of bidders. The price bid part of only three firms was opened, after bringing them at par techno-commercially. But in a surprising manner, the work of consultancy was awarded to an L-2

firm thus compromising all ethics of the tendering.

(v) The payment terms to the consultants are often allowed quite liberally. In one of the cases, the consultant's fee was paid on quarterly basis without linking the same with the progress of the project. Full payments had been authorized even before the completion of the project. In yet another case, the constant was allowed extra payment on the plea that since the case was retendered, the consultant had to generate extra documents and hence extra payment was made to them. However, the reasons for re-tendering were found attributable to the consultants but instead of penalising, consultants were rewarded with extra payment.

(vi) Some organisations, have of late been indulging in a new practice of appointing multiple consultants. First the main architects/consultants, for initiating and implementing the project, are appointed. Then one more consultant named as Project Management Consultant (popularly known as PMC) is appointed ostensibly to monitor the execution of works. In some cases one more body having hired professionals and designated as Appex Management Consultant CAMC) is constituted to monitor the progress of the PMC. By appointing so many agencies, the responsibility of the officials of the organisation and these outside agencies gets diluted while the role of these officials is reduced to the signing of cheques alone. All such projects with multy-agency

involvement invariably suffer from heavy time and cost overruns. Since the self-interest of outside agencies takes precedence over the loyalty towards the organisation, these agencies tend to collude or collide with each other, and both the situations are detrimental to the smooth implementation of the project.

- The appointment of consultants should be absolutely need based and for specialised jobs only. The selection of consultants should be made in a transparent manner through competitive bidding. The scope of work and role of consultants should be clearly defined and the contract should incorporate clauses having adequate provisions for penalising the con-sultants in case of defaults by them at any stage of the project including delays attributable to the consultants. As far as possible a Project Implementation Schedule indicating maximum permissible time for each activity should be prepared with a view to arrest time over-runs of the projects. The role of the consultants should be advisory and recommendatory and final authority and responsibility should be with the departmental officers only.

## 2. ESTIMATES

**2.1** In some cases, it has been observed that the estimated value put to tender is at large variance with the actually accepted value of the contract. The reasons for this can be attributed to either wrong assessment of quantities of items or the sketchy estimates prepared in an

unprofessional manner. Sometimes to arrive at the estimated value for a particular item, the rates of lower capacity items are extrapolated or a linear escalation is added to the last accepted rates for similar items. The estimates thus prepared are found to be far from realistic. This results in award of contracts at very high rates vis-a-vis the estimates. In one hydroelectric project, against an estimated cost of about Rs.300 crores, the contract was awarded at Rs.600 crores. To justify the rates various factors which were not tenable at all were considered and the estimated cost escalated so as to bring it as close to the quoted rates as possible. The award, despite a padding of the estimate was still at 31% above the justified amount. In some of the big value turnkey projects, it was noticed that the techno commercial feasibility reports are prepared by some external agencies and the project award and implementation is done by different departments at time with a considerable time gap. In one such case, in the award of a contract for an effluent treatment plant; the implementing agency, initially considered the estimated cost in the feasibility report as correct and the bids were also invited based on those estimates. However, the work was subsequently awarded at a rate almost 100% more than the estimated cost and the vast difference was justified on the plea that the estimate was deficient and unrealistic.

..... to be continued

## SYSTEM / CASE STUDIES

**1. Provision for Surveillance Cameras at Petrol Bunks**

It was advised to install surveillance cameras at Petrol Bunks inside the Plant to ensure that whenever pumps are in operation, the activity is recorded in video. Further the power supply to pumps is to be synchronized with the power supply to cameras so that as long as power supply to pumps is on, video recording takes place.

**2. Study on Attendance Particulars of Labour Supply in Contracts**

In contracts wherein labour supply is operated, the concerned Dept., was advised to record the attendance particulars of contract workmen in serially numbered logbook to avoid manipulation of records and the said logbook shall be the basis for verification of claims made by the agency for payment against manpower deployed

**3. Examination of RA bills for Strapping Work**

After examination RA bill for strapping work carried out by certain agency, the concerned Dept., was advised to devise checks and controls to ensure that the payment is released to the contractor based on the actual straps secured and not based on assumptions.

**4. Study on Strapping Works for Rebars**

The concerned dept., was advised to devise proper checks and avoid strapping of Rebars in coils meant for straightening at EPI to avoid unnecessary expenditure.

**5. Study on Over-Time Engagement of Labour in Contracts**

It was suggested that concerned depts., may lay down clear guide lines and procedures which would ensure minimizing of over-time in contracts, especially in manday contracts. Further, engaging the labour on over-time may be restricted to unavoidable circumstances and only with proper clearance of appropriate authorities, keeping the OT hours within statutory limits and maintaining proper records.

**6. Study on Escalation Clauses in Contracts**

In one of the tenders, it was observed that there was a discretionary power in operating the escalation clause on case to case basis. The department was advised to remove the same.

**7. Recording of Justifications While Finalizing The Eligibility Criteria**

It was requested that all the concerned may be suitably advised to maintain transparency in decision making and record the justification properly while finalizing/modifying eligibility criteria in all future cases.

**8. Adoption of On-Line billing system module for Maintenance Contract Works**

Since the bills are prepared manually by TA Department, there could be mistakes. The department was advised to take up the matter with IT Department to develop ON-LINE billing system Module for "Maintenance Contract Works".

**9. Examination of material procurement contracts**

To avoid procurement of materials at exorbitantly high rates, checks and controls is required to be put in place like (i) to compare the prices obtained against the tender with that of the reference prices indicated in the Indent and (ii) not to process the requirement by splitting the quantity.

**10. Examination of CA tenders relating to Land – to ensure fair competition**

The present conditions/requirements being stipulated in CA tenders with regard to the land are apparently limiting the competition and it is apprehended that the same may provide leverage to the existing CA for becoming successful tenderer' and the dept., was advised to take immediate appropriate action for modifying terms and conditions of CA tenders relating to land so as to ensure fair competition.

**11. Study on MOU with Empaneled Hospitals**

To devise checks and controls to ensure that the employees do not overstay as inpatients at empanelled hospitals beyond their requirement for treatment. It was suggested to devise a time bound plan for examination for issue of Medical Referral / Credit letter to the patients. After a decision is taken with regard to issue of Medical Referral/Credit letter or otherwise, the same is to be communicated to the concerned empanelled hospitals through electronic form followed by hard copy.

### 12. Study on PQC of Projects Division

An enquiry into a complaint, against the processing of tender revealed that improper stipulation of PQC resulted seeking experience in a particular work for a value more than the value of the work that was to be executed. Consequently, only two parties qualified in PQC. Thus, reverse e-auction could not be conducted as per the existing procedure. Considering the same, it was suggested to explore the possibility of conducting reverse e-auction with two parties and to formulate specific guidelines for framing of PQC stipulation for future tenders.

### 13. Study on contract for Dismantling of vacant VSP quarters

During an enquiry into a complaint against the execution of the contract relating to work of "Dismantling of vacant VSP quarters", it was observed that the representative of Engineer for the contract, instead of ensuring return of the dismantled material to VSP as per the terms of the contract, has taken it away to his own house for his personal gain.

In view of the above, it was suggested to constitute a committee to examine and record the useful materials to be recovered from quarters to be dismantled, in future, before such dismantling operation.

## NEWS AND EVENTS

In line with the directions of Central Vigilance Commission, Vigilance Awareness Week (VAW)–2013 was observed in RINL from 28<sup>th</sup> October to 2<sup>nd</sup> November 2013, with the theme for the year "Promoting Good Governance - Positive contribution of Vigilance". The main focus of the programmes organised during the week is spreading awareness about corruption, involving the employees, their dependents and other stake holders.

To promote the theme of VAW-2013 among the employees, seminar and a guest lecture on the topic of "Good Governanace & How to be Vigilant in Public Procurement" by Shri Girish Bhatnagar, Rtd. GM, East Central Railway was organised on 31.10.2013. In his speech he emphasized on preventive vigilance through system improvement in Corporate Governance.

To disseminate awareness against corruption through involvement, several initiatives were taken, which include:

- Display of Banners, Posters and Hoardings at prime locations in and around the plant
- Elocution on the topic of "Importance of moral values and ethics" and Skit competitions on the topic of "Role of Children in building honest society" among the school children of Ukkunagaram Schools. Elocution and Essay copetitions for school children of Mines Schools on the topic given.
- Slogan competition among the employees and their dependents on the topic of "Moral values, Ethics and Good Governance" in Telugu, Hindi & English languages and Quiz competition for Employees.
- A brochure containing Messages from Hon'ble President and Vice-President of India, Prime Minister, Leader from Opposition and Central Vigilance Commission has been released during the Vigilance Awareness Week - 2013

The week-long programmes were concluded with the valedictory function which was held on 1<sup>st</sup> November 2013, with the active involvement of employees, stake holders, women and school children. CMD, Directors & CVO had graced the occasion and delivered thought provoking speeches on need of transparency, good governance, ethical values and integrity in an organizational setup and as well as in our day to day life. CVO-RINL, Sri B Siddhartha Kumar, IFS, stressed in his address that vigilance is not against management and in fact it facilitates Management for fair play. Messages from the President of India, Prime Minister of India and Central Vigilance Commission were read out on the occasion.

## Glimpses of events organised during the Vigilance Awareness Week 2013 PHOTO GALLERY



Launching of 'Vigil' package by CMD in the presence of Directors and CVO. The package was developed by IT Department through in-house technology



DISPLAY OF HOARDINGS AND POSTERS AT PRIME LOCATIONS



Guest lecture by Shri Girish Bhatnagar, Rtd. GM, East Central Railway



Lighting of the Lamp by Chief Guest, Directors & CVO for the valedictory session



Chief Guest Shri S Vasudeva Rao, IPS, CVO, DCIL, addressing the gathering



Scene from cultural programme presented by school children



Speech by a Prize Winner in Elocution



Scenes of Skit presented by school children

“ Truth is stranger than fiction, but it is because Fiction is obliged to stick to possibilities; Truth isn't ”



**Clockwise from top left** : Shri B Siddhartha Kumar, CVO, RINL, Shri Umesh Chandra, Director (Operations), RINL, Shri T K Chand, Director (Commercial), RINL, Shri Y R Reddy, Director (Personnel), RINL & Shri P C Mohapatra, Director (Projects), RINL delivering their message

**Spandana** congratulates the following employees of Vigilance Department on their recent promotions and wishes them all success in their future career.

**(S/Shri)**

- |                                   |                      |
|-----------------------------------|----------------------|
| 01. P Pallam Raju, Manager(Vig)   | to Sr. Manager (Vig) |
| 02. A D Chincholkar, Manager(Vig) | to Sr. Manager (Vig) |
| 03. B Gopal, Asst. Manager(Vig)   | to Dy. Manager (Vig) |

## CHECKS CARRIED OUT BY VIGILANCE DEPARTMENT DURING OCTOBER - DECEMBER 2013

Activity	Numbers
1. Surveillance / checks	31
2. Road/Rail Re-Weighments	11
3. Quality checks	17
<b>Total</b>	<b>59</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)