



## Inside ...

- ❖ Problem areas of corruption in construction- (Part-V)
- ❖ Circulars
- ❖ Case/System studies
- ❖ Activities of VAW -2011
- ❖ Checks carried out

### from CVO's Desk.....

My hearty greetings to the RINL collective and their family members for a happy and prosperous New Year 2012.

I have assumed charge as CVO-RINL on 2<sup>nd</sup> of January, 2012. I understand that RINL is at a crucial juncture commissioning and stabilising its capacity expansion project. It is my sincere hope that the dedicated collective efforts of the able staff and by all of us would successfully achieve the task, and take the organization to greater heights of excellence in the near future.

Looking forward to a pleasant and fruitful association and with best wishes to the entire RINL family,

(B Siddhartha Kumar)

## CVO ASSUMES OFFICE



Shri B Siddhartha Kumar, I.F.S., assumed office as CVO, RINL on 02.01.2012. Prior to his joining RINL, he worked as Chief Conservator of Forests in Jammu and Srinagar region. Earlier to this, he worked in the Govt. of Andhra Pradesh as Addl. Secretary to the Govt., Energy Department, and as M.D., A.P. Power Finance Corporation. Spandana extends a warm welcome to him.

Shri Shreenivas Galgali, I.T.S., Chief Vigilance Officer, KIOCL, Bangalore, who had been holding the Additional Charge of CVO-RINL since 30.06.2011 handed over charge to Shri B Siddhartha Kumar. Spandana wishes Shri Shreenivas Galgali all success in his future assignments.

## REVIEW OF VIGILANCE ACTIVITIES BY SECRETARY (STEEL), GOI

Shri. P. K. Misra, Secretary (Steel), GOI, reviewed with the CVOs the performance and related matters pertaining to Vigilance Activities of PSUs under Administrative control of the Ministry of Steel, on 17/10/2011, in a meeting held at RINL-VSP, Visakhapatnam. The review was attended by the CVOs of SAIL, RINL, NMDC, MOIL, HSCL, BGC, MSTC, FSNL and officials from the Ministry of Steel.



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



राष्ट्रीय इस्पात निगम लिमिटेड  
Rashtriya Ispat Nigam Limited



## 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 fourth part of the same was reproduced for information and guidance of our readers in Spandana (July - September 2011). This is the fifth part and subsequent issues of Spandana will carry the remaining parts of the booklet.

### 9.1.13 Guarantees on various accounts not obtained

Certain guarantees for water proofing treatment/anti-termite treatment etc. are to be obtained as per the provisions in the agreement. These guarantees are not often obtained and no action can be taken against the contractor for defects noticed in the guarantee period.

**9.1.14** Non-execution of specialized work through specialized agencies A provision for execution of specialized works like anti-termite treatment, water proofing treatment, aluminum work, fire check doors, flush doors etc. is often made in the agreement. These conditions are not implemented at site resulting in large savings to the contractor and execution of sub standard works.

**9.1.15** Design of concrete mix not done by the approved lab and design not revised with change in source of ingredients

**9.1.16** Recording fictitious date of completion though work not completed The date of completion, at times, is recorded before actual date of completion of work to favour the contractor by non-levy of liquidated damages due to delay and also to relieve him early of his responsibility of defect liability period.

## 10. PAYMENTS TO CONTRACTORS

### 10.1 PROBLEMS

#### 10.1.1 Excessive deviations allowed without approval of competent authority

The quantities of various agreement items advantageous to the contractor are indiscriminately deviated during execution of work. The deviation can also occur due to inaccurate detailed estimates and due to wrong/over measurements. Prior approval of the authority competent for deviation is not generally taken by the subordinate officers.

#### 10.1.2 Less quantity of Abnormally Low Rated items executed and paid

Items for which contractor has quoted abnormally low rates are to be identified at the time of award of contract. Execution of less quantity or substitution of such items result in undue advantage to the contractor.

**ILLN\*:** In one work, terrazzo tiles flooring was to be carried out and the rates quoted by the contractor were abnormally low. During execution about 15% of quantity was executed and remaining quantity was substituted with marble flooring. Thus, undue advantage was extended to the contractor.

#### 10.1.3 More quantity of AHR items executed and paid

Similarly, abnormally high rated items are to be identified at the time of award to avoid increase in quantity of these items during execution since it results in undue advantage to the contractor.

**ILLN :** Contractor's accepted rate for item of M.S. grill/railing in a work was abnormally high and 250Kg was only stipulated in the agreement. To favour the contractor, the above quantity was increased from 250Kg to 11900 Kg by allowing the contractor to use higher size square bars without any technical requirement which resulted in financial benefit to the contractor.

#### 10.1.4 Items substituted to the advantage of contractor

It has been observed quite often that items not beneficial to the contractor are substituted to other items. The above practice is more prevalent in Organisation which engaged consultants for the purpose of estimation, supervision and preparation of bills etc.

**ILLN-1:** In one building work, RCC structure was substituted with structural steel and pre-cast slab and the requirement was justified by showing urgency in completion. The extra cost on account of substitution was Rs.1.00 crore(approx.) but the work could not be com-

pleted in the revised period of completion. Thus, the substitution was aimed to favour the contractor.

**ILLN-2:** In another work, pile foundation was changed to well foundation without any technical necessity thereby increasing cost of the project by Rs.2 crores which had gone to the benefit of the contractor.

### 10.1.5 Inadmissible extra items paid

At times, extra items which are not admissible, are paid to extend undue benefit to the contractor

**ILLN:** In one building work, as per the conditions given in the agreement, nothing extra was admissible to be paid for extra height of centering and shuttering. In spite of specific provision in the agreement, extra item was sanctioned, measured and paid to give undue benefit to the contractor.

### 10.1.6 Exorbitant rate fixed for extra/substituted items

It has been observed that the rates of extra/substituted items are not derived based on the conditions of contract. They are derived on abnormally high rated items, which results in undue benefit to the contractor.

**ILLN :** In one hydel project, extra items amounting to Rs.100.00 crores were allowed and the same were sanctioned at high rates. The rates were analysed by adding 49% on account of contractor's profit and overheads as against the normal 10%.

### 10.1.7 Measurements not recorded in MBs

Measurements of the items are to be recorded and kept in a bound Book which should be kept ready for inspection. But in many cases, the same were found in loose sheets, which could be changed at any time.

### 10.1.8 Checking measurements

The measurements including hidden and high rated items are to be checked by senior officers to avoid overpayment. But it is not done in many cases.

### 10.1.9 Incomplete items paid on full rates or excessive part rates allowed

The payments to contractor for various items are being made as per contractors quoted rate even if the complete scope of the item is not executed by the contractor and

this results in overpayment. In certain cases, it was observed that part rates allowed were more than the admissible.

### 10.1.10 Voids not deducted before allowing payment to contractor for work in filing.

Deduction on account of voids in earth/stone filling work is to be done where compaction is not as per the desired density under OMC conditions. Non-deduction of voids results in huge overpayment to the contractor in connivance with the field staff.

**ILLN :** In a reclamation work costing Rs.15 crores, deductions on account of voids was not made which resulted in overpayment to the tune of crores of rupees.

- 10.1.11** i) Measurement not restricted as per the drawing  
 ii) More working space measured than admissible in earth work in excavation  
 iii) Excessive offset and side slope than admissible measured and paid in earth work in excavation.

### 10.1.12 (i) Secured advance paid for larger quantity than required for execution at Site

- (ii) Secured advance paid for perishable materials without insurance cover  
 (iii) Secured advance paid without adequate testing of materials  
 (iv) Not effecting recoveries of secured advance in respect of material utilized in the items which were measured and paid.

### 10.1.13 Non-recovery of I.T and Works Contract Tax

Statutory deductions are not made as per the requirement resulting in huge benefit to the contractor. In few cases, it was observed that Income Tax and Works Contract Tax were not recovered from the contractor's bills. At times recovery is made on net amount after deducting cost of stores/hire charges from contractor's gross payment. The above practice is highly irregular. Recovery shall be made on gross amount of the bill.

\***ILLN** - Illustration

---- to be continued

## CIRCULARS

### Applicability of CVC's guidelines on post tender negotiations with regard to projects funded by World Bank and other international funding agencies like IMF,ADB etc. (CVC's Circular No.12/10/11 dated 28/10/2011) :

References have been received seeking clarification whether the Commission's guidelines contained in Circular No.3(V)/99/9 dated 1st October 1999 are binding even for the projects which are funded by international funding agencies like World Bank, ADB etc.

2. Para 2 of the Commission's Circular dated 1st October 1999 is reproduced as under:-

"It has been decided after due consideration, that in so far as the World Bank Projects and other international funding agencies such as IMF, ADB etc, are concerned, the department/organizations have no other alternative but to go by the criteria prescribed by the World Bank/ concerned agencies and the Commission's instructions

would not be applicable specifically to those projects. However, the instructions of the CVC will be binding on purchases/sales made by the departments within the country. The CVC's instructions of 18/11/98 will apply even if they are made with source outside the country and if they are within the budget provisions and normal operations of the Department/Organisation."

3. It is clarified that the Commission's guidelines would not be applicable in projects funded by the World Bank, ADB etc., if found to be in conflict with the applicable procurement rules of the funding agencies.

4. This may be brought to the notice of all concerned.

## SYSTEM / CASE STUDIES

### 1. Obstruction to new contractors from submitting tenders by existing contractors

Based on a complaint, Vigilance Department carried out an investigation into the allegations that the existing contractors are physically obstructing new contractors from dropping the bids in the tender box and thereby preventing them to participate in the tender.

Surprise check at site revealed that allegations are having merit and when the tender opening room was checked, it was found that many of the tenderers who had not quoted and many without proper entry gate passes were sitting in the tender opening room.

Based on the above observations, Vigilance suggested following actions for implementation:

(i) Department to take necessary action for adopting e-tendering method.

(ii) Contractor or Contractor's duly authorised representative for attending tender/price bid opening may only be permitted in tender opening room. However, if any unauthorised person is found in the tender opening room, CISF may be intimated by HOD of concerned department in writing to cancel the gate pass including taking action for trespassing by such person in the restricted area. Validity of such cancellation shall be for minimum period of three years.

Also suggested that a suitable procedure may be developed in this regard through MS department.

## 2. Study of Pre-Qualification Criteria

Vigilance Department examined the Pre-Qualification Criteria (PQC)/Eligibility criteria conditions stipulated in the tender documents relating to one of the maintenance jobs.

Study by vigilance revealed that participation in the open tender consistently remained only two bidders for past five years and one tenderer out of above is the only successful bidder for the last five years. It was also noticed that the

'PQC for the work was that the bidders must have experience of having successfully completed single similar works during last five years (5) ending last day of the month previous to the one in which applications are invited.'

Based on above observations, Vigilance suggested revising the experience cycle from five (5) years to seven (7) years for all future tenders and communication has been sent to department concerned for compliance.

## NEWS AND EVENTS

In line with the directions of Central Vigilance Commission (CVC), Vigilance Awareness Week (VAW) - 2011 was observed in RINL from 31st October to 5th November 2011, with the theme for the year "Participative 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-2011 among the employees, a guest lecture on the topic of "Vigilance and Corporate Governance - It's relevance today" by Shri Venugopal K Nair, Addl DGP, Kerala was organised on 04.11.2011. 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 included:

- a) Display of Banners, Posters and Hoardings at prime locations in and around the plant
- b) Elocution and Skit competitions on the topic of "Role of students in building an honest society" among the school children
- c) Slogan competition among the employees and their dependents on the topic of "Transparency - Need of the hour" in Telugu, Hindi & English languages.
- d) 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 -2011

The week-long programmes were concluded with the valedictory function which was held on 5th November 2011, with the active involvement of employees, stake holders, women and school children. CMD, Directors & CVO graced the occasion and delivered thought provoking speeches on need of transparency, good governance, ethical values and integrity in the organization as well as in our day to day life. The then CVO-RINL, Sri Shreenivas Galgali, ITS, has added in his speech that vigilance is not against management and in fact it facilitates management for fair play. On this occasion, messages from the President of India, Prime Minister of India and Chief Vigilance Commissioner, were read out to mark the occasion.

## PRIZE WINNERS IN THE COMPETITIONS HELD FOR SCHOOL CHILDREN

Sl. No	Item	Class/Grade of Participants	Schools	Topic /Theme	Prize winners		
					First	Second	Third
01	Elocution (English)	6 <sup>th</sup> to 10 <sup>th</sup>	10 Ukkunagaram Schools	Role of children in building an honest society	Melonica Mohapatra, IX De Paul School	G.Monica, IX DAV Centenary Public School	R.S.S.Ragini, IX Chaitanya Public School
02	Elocution (Hindi)	6 <sup>th</sup> to 10 <sup>th</sup>	10 Ukkunagaram Schools	ईमानदार समाज के निर्माण में बच्चों की भूमिका	Kathrina, X Sri Aurobindo Ideal High School	M.R.Sirisha, X Chaitanya Public School	I.Venugipal, VII Chaitanya Public School
03	Elocution (Telugu)	6 <sup>th</sup> to 10 <sup>th</sup>	10 Ukkunagaram Schools	విజ్ఞానదారీ గల సమాజ నిర్మాణంలో పిల్లల పాత్ర	D.V.Chandini, X Siva Sivani Public School	Avireddy Lalitha, X Visakha Vimala Vidyalayam, Ukkunagaram	R.Anusha, VIII Chaitanya Public School
04	Skit	---	10 Ukkunagaram Schools	Role of children in building an honest society	Visakha Vimala Vidyalayam, Pedagantyada	De Paul School	--
05	Painting	Seniors	Arunodaya Special School	General	Chaitanya	K.Surendra	P.Kishore
06	Painting	Juniors	Arunodaya Special School	General	G.S.S.Manisha	M.Sai Akhil	Lekhita
07	Elocution (English)	8 <sup>th</sup> to 10 <sup>th</sup>	DAV in JLM	Role of children in building an honest society	Kum. K.Bhavana, VIII	Kum.Sardius Lifra, IX	Kum.Rhea Mathur, IX
08	Essay Writing (English)	6 <sup>th</sup> to 7 <sup>th</sup>	DAV in JLM	Value based education- the need of the hour	Kum.B.Ruchita, VII	Kum.Sreeja Murali, VII	Master Suyash Kumar Jha, VI
09	Elocution (English)	8 <sup>th</sup> to 10 <sup>th</sup>	DAV in MDM	Role of children in building an honest society	Anwar Sultana, X	Ch.Ramya, X	B.Sai Mani Kanta, VIII
10	Essay Writing (English)	6 <sup>th</sup> to 7 <sup>th</sup>	DAV in MDM	Value based education- the need of the hour	P.Anand Teja, VII	M.Lakshmi Harita, V	A.Sahiti, V

## PRIZE WINNERS IN THE SLOGAN COMPETITIONS HELD FOR EMPLOYEES & THEIR DEPENDANTS

Item	Theme	Prize	Name of the Employee / Dependent	Slogan
Slogan (English)	Transparency- need of the hour	1 <sup>st</sup>	P.Ramesh Kumar, E.No.105494, DM(O), CRMP	'The Seed Of Corruption Is Secrecy The Need Of The Hour Is Transparency'
		2 <sup>nd</sup>	G.N.Somayajulu, 102979 AM(Stores), Genl.Admn	'Transparent Administration Antidote To Corruption'
		3 <sup>rd</sup>	SK Khalsa, M/o.Harbhajan Singh, E.No.116157, AGM, BF(W)	'Transparency Is Only Way To Keep Corruption Away'
Slogan (Hindi)	पारदर्शिता समय की माँग	1 <sup>st</sup>	Mahendra Singh Rawat, E.No.120006, AM, PPM	पारदर्शी गर हो हर तंत्र, प्रगति करे अपना संयंत्र
		2 <sup>nd</sup>	G.Vijaya, E.No.102345, Mgr., MINES	पारदर्शिता को अपनाने की भावना जगाती है लोगों में सतर्कता की चेतना
		3 <sup>rd</sup>	D.Ramya Krishna, D/o. D.Bhaskara Rao, E.No.104876, Foreman (E) Eng. Shops & Foundry	आज अभी और कल । पारदर्शिता का मांग हर पल ॥
Slogan (Telugu)	పారదర్శకత నేటి అవసరకత	1 <sup>st</sup>	G.Srinivasa Rao, E.No.105329, DM(Mech.), CMM	పారదర్శకత లోపించిన మార్గదర్శకాలు కాగలవు సంస్థ మనుగడకు తిలీదకాలు
		2 <sup>nd</sup>	M.Venugopal, E.No.105527, AM(PPM)	అందిద్దాం పారదర్శకతకి ఊతం పారదర్శిలుదాం అవినీతి భూతం
		3 <sup>rd</sup>	G.Joshna Rani, W/o. G.C.S.Rao, E.No.119725, Mgr.(Mech), LMMM	పని విధానాలలో పారదర్శకత అవినీతి రహిత సమాజానికి మార్గదర్శకత.

## GLIMPSES OF EVENTS ORGANISED DURING THE VIGILANCE AWARENESS WEEK 2011

### PHOTO GALLERY



*DISPLAY OF HOARDINGS AND POSTERS AT PRIME LOCATIONS*



Guest lecture by Shri Venugopal K Nair, IPS, Addl DGP, Kerala



Lighting of the Lamp by CMD, Directors and CVO, to commence valedictory function.



Shri APChoudhary, CMD, RINL, delivering his message during the valedictory function.



Shri Shreenivas Galgali, CVO, RINL, speaking on the occasion.



Shri P Madhusudan, Director (Fin), RINL distributing Prizes to the winners of different competitions.



### 1<sup>st</sup> Prize winning paintings from Arunodaya Special School for the differently-abled Children

### CHECKS CARRIED OUT BY VIGILANCE DEPT. DURING OCTOBER-DECEMBER, 2011

1. Surveillance / checks	25
2. Road/Rail ReWeighments	14
3. Quality checks	10
<b>Total</b>	<b>49</b>

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

Please visit VIGILANCE PORTAL on INTRANET or [www.vizagsteel.com](http://www.vizagsteel.com) to read Spandana online.

Feedback for improvement is welcome and may be sent to [spandana@vizagsteel.com](mailto:spandana@vizagsteel.com)