

# स्पंदना స్పందన SPANDANA

(Quarterly News Letter of Vigilance Department)

Volume -10

Issue -2

( April- June 2016)



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### From CVO's Desk...

In order to be Efficient & Effective, every Organization needs to have Vision, Strategy, Goals & Targets. The Sustenance in business, either to make profit or loss, depends upon the commitment of each and every one. Thus every employee should have ...

- A Passion to lead
- A Vision to harness Potential
- A Mission towards Commitment - all towards Excellence

At Vigilance, as a thumb rule, the precepts of Fairness, Equity & Transparency are followed. I am sure Vigilance is able to captivate, disseminate and usher in a culture of Preventive Vigilance as our basic philosophy is "**Money Saved is Money Earned**" and the purpose of Business is to be in Business with Business Ethics. Our main belief is that '**corruption tolerated is corruption propagated**' and the goal of Vigilance will be realized only when leakages of resources are mitigated leading to reduction in costs and increase of margins.

I am happy that the Vigilance Collective has once again been bestowed with the National Vigilance Excellence Award 2016, for the Fifth year in a row, by Vigilance Study Circle. I urge upon all to spread Preventive Vigilance across the Organization and make Vigilance activities at Vizag Steel a vital functional tool for the Organization.

(B. Siddhartha Kumar)

## NATIONAL VIGILANCE EXCELLENCE AWARD 2016



Sri K.V Chowdary, Central Vigilance Commissioner, CVC congratulating  
Sri B Siddhartha Kumar, IFS, Chief Vigilance Officer, RINL- VSP for bagging the  
'National Vigilance Excellence Award 2016' for the fifth consecutive year

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  
विशाखपट्टनम इस्पात संयंत्र



Rashtriya Ispat Nigam Limited  
Visakhapatnam Steel Plant

## VIGILANCE CASE STUDIES

(Outcome of the Studies conducted by RINL - Vigilance are reproduced here for the benefit of readers)

1. Coking coal being imported is received through bulk shipments. The quantity loaded onboard the vessel is ascertained by means of a draught survey weight.
2. **Salient conditions of coking coal supply agreement(s):**
  - 2.1. The Coking Coal is to be inspected by third party Inspection Agency during shipment.
  - 2.2. In the cases where the Total Moisture (on "as received basis") in the material at Load port exceeds 10 % (Ten percent), the Invoice shall be reduced by the excess percentage of Total Moisture over 10% @ 1.00% for every 1% increase over 10% (fraction prorata) upto 10.50% and @ 1.30% for every 1.00% increase over 10.5% (fraction prorata) with a cut off limit of 12% max.
  - 2.3. Sampling and analysis is to be carried out as per relevant British Standard Specifications/Specifications of the International Organization for Standardization. Variation of moisture of 1.5% is allowed between the load port and disport analysis.
3. **Analysis of Total Moisture:**
  - 3.1. BS 1017 standard defines the methods for sampling of coal and coke. As per the same, consignment is to be considered as comprised of number of units, each of 1000 tonnes or less and a separate gross sample is compiled by taking the specified number of increments from each consignment.
  - 3.2. Coal samples drawn are to be tested as per BS-1016. Coal used for proximate analysis is the analysis of sample of 50 g to 150 g having a top size not greater than 0.2mm. Three methods viz., i) Direct gravimetric determination, ii) Drying in nitrogen and iii) Drying in vacuo are used for establishing the moisture content.
4. **Handling of coal by the agency:**
  - 4.1. **As per the handling agreement:**
    - 4.1.1. Scope of the work includes discharge and stock transfer of the cargo from the vessel and unloading at stackyards, reloading and stock transfer of the cargo to the organization.
    - 4.1.2. Agency shall ensure sample collection as per ISO/BIS/BS/ASTM norms and samples made available to the organization for preparation of sample by the surveyor acceptable to both the parties. The surveyor shall carry out moisture analysis.
    - 4.1.3. Shortage tolerance of 0.40% of the dry cargo handled on vessel to vessel basis is allowed.
  - 4.2. **Appointment of public analysts by the organization:**
    - 4.2.1. Two public analysts were appointed for carrying out sampling and analysis of Coking coal. In respect of the vessels allocated/assigned, the analysts draw the samples at the time of discharge of the cargo and analyze the moisture content. Similarly, they draw the samples for analyzing the coal moisture content when transferred from the port to the organization through conveyor/rakes for each type of coal once in a day.
5. **Checks/study conducted by Vigilance Department:**
  - 5.1. **Stackyards developed by the Handling Agency:**
    - 5.1.1. Four stack yards were available for stacking the cargo of different customers. Stackyard nos. 2 and 3 are made available to the organization.

5.1.2. Yard nos. 1 & 2 and 3 & 4 are separated by the conveyor track. No physical separation exists between stackyard nos. 2 and 3.

5.1.3. Barren land is used for stacking the cargo and no additional infrastructure exists at these yards.

5.1.4. In the yards, coal embedded in the ground was witnessed and at few places, there was water logging.

5.1.5. Cargo/importer/exporter's details were not available at different stacks in the stack yards leaving scope for shifting of cargo from one place to another and one consignee to another.

5.1.6. The agency decides the place of stacking and the details of the cargo and its location are only known to them.

#### **5.2. Stock transfer of the cargo from coal berth:**

5.2.1. One conveyor exists for stock transferring the coal from coal berth to all the four stack yards.

5.2.2. At the beginning of the stackyards, the conveyor splits into two branches.

5.2.3. While one branch of the conveyor leads to stackyard nos. 1 and 2, the other takes the material to stackyard nos. 3 and 4.

5.2.4. By shifting the boom of the stacker's direction, the material discharged from the vessel can be unloaded at any of the four stackyards.

#### **5.3. Sampling of the material by organization's public analysts:**

5.3.1. Required samples are not collected by the public analysts.

5.3.2. During the surprise check, it is noted that only 38 samples were taken as against the required 459 samples (for a quantity of 42,116 MT discharged from the vessel till then).

5.3.3. The analyst appointed by the agency was not involved in sample collection.

5.3.4. During the visit to the site office of the public analysts, two heaps of coking coal samples, as sealed and tagged at the time of collection of samples during - i) discharge of coal from different vessels and ii) dispatch of material on different dates, pertaining to a period as far back as 1 year, were noticed. This indicates that the samples collected are not getting analysed.

#### **5.4. Procedure followed by Public Analysts in analyzing the moisture content:**

5.4.1. Visit to the laboratories of the public analysts revealed -

5.4.1.1. Certain samples (in lump form) were kept in hot oven which is not having any control mechanism to adjust the desired temperature of 1050 C to 1100 C.

5.4.1.2. Material is being tested as a formality and not as per the relevant standards.

5.4.1.3. The results, (i) obtained by the public analysts appointed by the organization and (ii) declared by public analyst appointed by the Handling Agency, are averaged out and certified by the organization's analyst.

5.4.1.4. Agency's public analyst has been declaring higher moisture content of 0.30 % to 0.40% than that of the results obtained by organization's analyst in respect of the discharged/incoming coal. This is resulting in declaration of 0.15% to 0.20% of lesser dry quantity during receipt. Similarly, while dispatching the cargo to the organization, the agency's public analyst has been, invariably, declaring lesser moisture content of 0.20% to 0.40% lesser than that of the organization's analyst resulting in declaration of 0.10% to 0.20% of excess dry quantity dispatched to the organization. This is resulting in a hidden tolerance of about 0.25% of the cargo handled to the agency in other words non-despatch of coal to the extent of 0.25% or about 250 MT valuing about Rs.37 lakhs for each shipment of 1,00,000 MT.

### 5.5. Security of the material:

- 5.5.1. The Handling Agency is having own private security.
- 5.5.2. Though about 5 lakhs tonnes of cargo is lying with the agency at any point of time, organization's security does not exist.
- 5.5.3. All the four stackyards are at the same location and the import cargo can be unloaded at any of these yards. Further, the unloaded material can be shifted to any other stackyard.
- 5.5.4. Discrete checks established that there was no continuous supervision by the organization leaving the decision to the Handling Agency to discharge the quantity at any location/stackyard.

### 5.6. Declaration of discharge quantity against different vessels:

- 5.6.1. Draft survey weight at discharge port has been invariably matching with that of the Bill of Lading quantity in respect of every vessel. However, the moisture content declared by Inspection Agency at load port and results declared by public analysts at discharge port are not same giving advantage of 0.25% of the quantity handled to the agency.

## 6. Conclusion:

- 6.1. Moisture plays vital role in accounting of coal.
- 6.2. Though the Handling Agency has to ensure sample collection as per ISO/BIS/BS/ASTM, organization's public analyst has been drawing the samples and payment is made by the organization @ Rs.0.20 per MT (without auto sampler). The financial implication works out to Rs.20,000/- per vessel (when 1 lakh tonnes handled per vessel). In respect of about 75 lakh tonnes of coal handled, the financial implication works out to about Rs.15 lakhs. Further, this is recurring in nature.
- 6.3. As per the standard, variation of 1 to 2% is allowed during reproducibility while analyzing the coal samples. On a quantity of 4 MMT of coal handled per year, tolerance of minimum 40,000 MT exists. In the absence of proper checks and controls in sampling and testing of coal and safety of the cargo, this provision gets exploited by the service provider.
- 6.4. Existence of huge number of samples pertaining to a period, as far back as one year, raises the fundamental question whether the samples against all the vessels are getting analysed or not. Further, the public analysts appointed by the organization are also not following the standards while ascertaining the moisture content. This is resulting in increased shortage tolerance to the Handling Agency.
- 6.5. The public analyst appointed by the Handling Agency has not been collecting the coal samples. However, the results are certified by the agency in favour of the Handling Agency. This is resulting in an additional shortage tolerance of about 0.25% to the agency. The tolerance works out to about 10000 MT of coal when a quantity of 4 MMT of coal is handled per year amounting to Rs. 7.8 Crores to the Handling Agency.
- 6.6. No stack boards are displayed at different stacks of coal leaving scope for mix-up/manipulation of stocks by the agency.
- 6.7. The organization's cargo is officially stacked by the agency at stackyard nos. 2 and 3. However, by shifting the direction of the boom of stacker of the conveyor, the material can be unloaded at stackyard nos. 1 and 4 also. Similarly, internal shifting of the material by the agency is also possible.
- 6.8. The present system gives enough scope for pilferage of the coal handled by the agency.

**7. Recommendations:**

- 7.1. The organization's appointed analysts need to strictly follow the stipulated standards. Fool proof mechanism, with specific responsibility to concerned officers, to be put in place.
- 7.2. Contractual conditions for collection of samples by the Handling Agency need to be enforced. Expenditure incurred in collection of samples is to be recovered from the agency.
- 7.3. The results declared by the organization's public analyst should be treated as final leaving no scope for the agency to manipulate moisture content.
- 7.4. Coal samples, at random, shall also be analysed by the organization and the results compared with that of analyst for further appropriate action. Detailed documented system should be drawn and put in place.
- 7.5. For ensuring safety of the cargo handled by the agency, closed circuit cameras can be installed at these locations with monitors at the organization. Possibility of providing organization's security at the stackyards to be explored.
- 7.6. Based on the coke produced by the organization, consumption of coal, at predetermined intervals, needs to be worked out backwards. This needs to be cross checked with the receipt of coal from the Handling Agency and appropriate action is required to be taken.
- 7.7. To insist on the Handling Agency for concreting the stacking area and also for ensuring display of board(s) at different stacks.
- 7.8. Auto-sampler should be installed for proper and continuous collection of samples.

**8. Implementation of Vigilance suggestions:**

- 8.1. The procedure was reviewed by the department and certain system improvements were immediately implemented. Certain additional checks/controls are being put in place.
- 8.2. An amount of Rs.25.76 lacs was recovered from the Handling Agency towards the sample collection charges incurred by the organization. Auto-sampler was installed by the Handling Agency and the agency was collecting coal samples.
- 8.3. Action was taken to ascertain the effect of the moisture results, declared by the public analyst appointed by Handling Agency and an amount of Rs. 6,14,998/- was recovered from the Handling Agency.
- 8.4. By implementing the suggestions of Vigilance, the hidden tolerance of 0.25% being enjoyed by the Handling Agency was removed from the practice being followed. As a result, higher quantity of Coal being received by the Organization would be about 10000 MT at a level of 4 MMT per year imports [The savings is expected to be around **Rs. 7.8 Crores per annum**]. The benefits are recurring in nature.

### CVC CIRCULARS

**Circulars issued by CVC during the period 1.04.2016 to 30.06.2016**

S.No	Subject	Circular No. & Date
01	Inquiry proceedings pending before the IOs	Circular No. 05/05/5016 of 02.05.2016

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

## SYSTEM / CASE STUDIES

### 1. Study on Export of Iron and Steel

Based on a proposal received from Marketing Department for limiting Export of Iron and Steel with Visakhapatnam Port as loading port, citing difficulties in operation and higher cost to customer at Gangavaram Port, it was suggested by Vigilance Department to keep the option of 'Gangavaram Port' as load port open and finalise the Stevedoring Contracts and Export Contracts by keeping both the Ports as the loading ports. It was also suggested that in Export tenders, the Customers be advised to offer Port-wise best prices and finalize the Export tenders with the Port that gives higher Net Sales Realisation to the Organization. The suggestions of Vigilance Department were implemented and Exports with Gangavaram Port as loading port were seen to be giving maximum Net Sales Realisation during May'16 and Jun'16. As a result of implementation of suggestions of Vigilance Department, higher Net Sales Realisation of about Rs. 69.98 Lakhs accrued during May '16 and Jun' 16. The benefits are recurring in nature.

### 2. Study on up gradation jobs pertaining to SMS-1

After examination of the work "SMS-1 up gradation - Civil Work, Structural Steel Work and Sheeting/Cladding work for Steel Melt Shop-1", the Department concerned was advised for all such future work, where it is not possible to estimate from basic principle, the Consultants to be advised to obtain at least three budgetary offers from the prospective parties for arriving at a realistic estimation and submit the same to D&E Department for scrutiny. The Department concerned was also advised to check / verify the same before clearing the estimation.

### 3. Study on HRA & HRR payments

Based on source information pertaining to payment of HRA to outstation employees, the Department concerned was advised to take up with ERP Department for incorporating vacation/occupation details of the accommodation/quarters in the ERP package and linking the same for stoppage of payment of HRA & recovery of HRR.

### 4. Check at Ferro Alloy Stores

After inspection at the stacking point of Ferro Alloy Stores, Department concerned was advised to include an appropriate clause in Purchase Order, instructing the Supplier to indicate the 'Batch Number &Invoice Number' (in addition to the names of Supplier and material) on the bags at the time of supply.

## National Vigilance Excellence Award



13<sup>th</sup> Anniversary Celebrations of Vigilance Study Circle (VSC), Hyderabad were held on 8<sup>th</sup> July 2016 at Hyderabad. Chief Guest of the function was Sri K.V Chowdary, Central Vigilance Commissioner, CVC. As part of this, VSC presented 'National Vigilance Excellence Award-2016' to the Vigilance Officers, working in organisations across the country. These awards were presented to vigilance professionals, selected by a panel of eminent persons in the field of vigilance, based on case studies submitted to VSC by vigilance functionaries of member PSUs, Banks, Ministries and Departments.

It is a matter of pride to RINL, Vigilance Department that Sri SVN Raju, AGM (Vigilance) and Sri PVR Kishore, Manager (Vigilance), Vigilance Department, Visakhapatnam Steel Plant received the coveted award this year. The awards were given away by the Chief Guest of the function Sri K.V Chowdary, Central Vigilance Commissioner, CVC and CVC congratulated Shri B. Siddhartha Kumar, IFS, Chief Vigilance Officer, RINL for getting the award for the fifth year in a row.

CMD congratulated the RINL Vigilance Collective for bringing laurels to the organization and mentioned that the award reflects the transparency in the organisation.

**Spandana** extends hearty congratulations to Sri SVN Raju, AGM(Vigilance) and Sri PVR Kishore, Manager(Vigilance) on this commendable achievement.

## CVO's visit to Ahmedabad Branch and Stock Yard



Inspection of Ahmedabad Branch Stock Yard of Western Region was carried out by CVO in June, 2016. He had interaction with Senior Branch Manager and other Marketing Officials regarding MoUs and Performance of the Region. He also mentioned that Vizag Steel is Green Steel and all should work in an atmosphere of **transparency and fairness for progress of VSP.**

### NEWS AND EVENTS

1. '5S' external Audit was carried out by Dr. B R Bangray, QCFI, Hyderabad, on 25.06.2016
2. Sri P R M Sundar Kumar, DGM(Exp Jetty); Sri S Mohapatra, DGM(Projects); Sri Rajesh Kumar, AGM(DNW); Smt. Dainey Cherian, AGM(SMD); Sri G Ramana Kumar, Manager(O), CO&CCP; Sri P Seshu Kumar, Dy.Mgr(E), SMS; Sri D Narasa Raju, Dy.Mgr(E), Construction, have joined Vigilance Department. Spandana welcomes them.

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

1. Sri P A Paulson	Sr.Manager(Vigilance)	to	AGM(Vigilance)
2. Sri G Y Rama Mohana Rao	Sr.Manager(Vigilance)	to	AGM(Vigilance)

### CHECKS CARRIED OUT BY VIGILANCE DEPARTMENT DURING APRIL - JUNE 2016

Activity	Numbers
1. Surveillance / checks	69
2. Road/Rail Re-Weighments	15
3. Quality checks	21
<b>Total</b>	<b>105</b>

Editorial Board: Dr. V R Bapa Rao, DGM(Vig) & TA to CVO; S Mohapatra, DGM(Vig); GY Rama Mohana Rao, AGM (Vig) and D Ramakrishna, Dy.Mgr(Vig)

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

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