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The primary objective of Spandana has been dissemination of knowledge and experience that may assist its readers to blend practical priorities with ethical values and apply the results transparently to their respective functional areas, and accrue benefits to the organisation. This issue includes gist of observations made and improvements/remedies suggested in several areas after vigilance scrutiny, in addition to CTE's observations on Procurement System and manual on disciplinary proceedings. It is hoped that all these will be found helpful and encourage the readers to examine critically the procedures in vogue in their areas and take steps for improving them, where needed.

Also, I take this occasion to appreciate the good work being done by the Vigilance Team of VSP and in particular congratulate Sri D Prabhakara Rao, who brought laurels to the Organisation and the Department by winning National Vigilance Excellence Award-2013.


(B Siddhartha Kumar)

National Vigilance Excellence Award -2013 to RINL/VIGILANCE

As part of the 10th Anniversary Celebrations of Vigilance Study Circle, Hyderabad (VSC) held on 06.07.2013 at Hyderabad, Chief Guest of the function Shri R Sri Kumar, Vigilance Commissioner, CVC presented 'National Vigilance Excellence Award - 2013' to eight (08) Vigilance officers, working in organisations across the country. The winners were selected from amongst vigilance professionals by a panel of eminent persons in the field of vigilance, based on case studies submitted to VSC by member PSUs, Banks, Ministries and Departments.

It is a matter of pride to RINL and Vigilance Department that Shri D Prabhakara Rao, Sr. Manager (Vig), is one of the recipients of the coveted award this year. The award was received by Shri D Prabhakara Rao from the Vigilance Commissioner in the presence of Shri B Siddhartha Kumar, Chief Vigilance Officer, RINL. This is the second successive year Vigilance Dept of RINL has been bagging excellence award from Vigilance Study Circle.

SPANDANA extends hearty congratulations to Shri D Prabhakara Rao on this commendable achievement.



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 4th part of the same and the subsequent issues of Spandana will carry the remaining parts of the booklet.

11.0 Post Tender Negotiations

As per eve guidelines circulated vide letter NO.8 (1) (h) / 98 (1) dtd. 18.11.98, it has been brought out that "the tenders are generally a major source of corruption. In order to avoid corruption, a more transparent and effective system must be introduced. As post tender negotiations are the main source of corruption, post tender negotiations are banned with immediate effect except in the case of negotiations with L-1 (i.e. Lowest tenderer)". In continuation to these instructions, following further clarifications were issued vide letter No. 98 / Ord. / 1 dtd.15.03.99:

(i) The Govt. of India has a purchase preference policy so far as the public sector enterprises are concerned. It is clarified that the ban on the post tender negotiations does not mean that the policy of the Govt. of India for purchase preference for public sector should not be implemented.

(ii) Incidentally, some organizations have been using the Public Sector as a shield or a conduit for getting costly inputs or for improper purchases. This also should be avoided.

(iii) Another issue that has been raised is that many a time the quantity to be ordered is much more than L-1 alone can supply. In such cases, the quantity order may be distributed in such a manner that the purchase is done in a fair, transparent and equitable manner.

- Despite the above instructions, it has

been noticed that still repeated negotiations with the select / all the vendors are being carried out by some of the organizations in gross violation of the above instructions. The instructions / guidelines circulated by CVC on post tender negotiations only with L-1 need to be strictly followed.

12.0 Technical Evaluation of Tenders

Apart from the deficiencies already brought out in supra para 7.9, it has been noticed that though the offers of some firms fully conform to the specifications laid down in the bid documents, however, based on certain additional features which were never part of the specifications, the offers were graded as 'good', 'better' and 'best' for award of contract.

- Once it has been established that the offers meet the laid down specifications, the question of 'grading' as well as any 'pick and choose' should not arise. The contract needs to be awarded to the lowest bidder meeting the laid down specifications.

13.0 Purchase Preferences to Public Sector Enterprises

The Department of Public enterprises, Ministry of Industry vide OM No. DPE/13(19)/91-Fin. Dtd. 13.01.92, 15.03.95, 31.10.97, 10.02.98 and 14.09.2000 have circulated the policy of granting purchase preference to Central Govt. Public Sector Enterprises when they compete with Private large scale units. It has been laid

down that where the quoted prices of Public Sector Enterprises or Joint Ventures with PSEs with a minimum value added content of over 20% by the latter, subject to purchase in excess of Rs.1 crore, is within 10% of the lowest price, other things being equal. Purchase preference will be granted to the Public Sector Enterprises or Joint Venture concerned at the lowest acceptable price. It has been noticed that some of the organizations are not following these instructions and accordingly, undue favour is being given to the Private firms.

- The instructions / guidelines circulated by Department of Public Enterprises for granting purchase preference to the Central Govt, Public Sector Enterprises / Joint Ventures need to be scrupulously followed as also brought out by CVC in the instructions circulated vide letter No. 98/Ord./1 dtd. 15.03.99.

14.0 Consideration of Indian Agents

It has been noticed that some of the organizations entertained the offers of Indian Agents and also place the contracts on them without bothering to examine the following aspects :-

(i) Foreign Principal's proforma invoice indicating the Commission payable to the Indian Agent, nature of after sales service to be rendered by the Indian Agent.

(ii) Copy of the agency agreement with

the foreign principal and the precise relationship between them and their mutual interest in the business.

(iii) The enlistment of the Indian Agent with Director General of Supplies & Disposals under the Compulsory Registration Scheme of Ministry of Finance.

- The above aspects are important one to examine the genuineness of the prices quoted by the Indian Agent, the nature of services which would be available from Indian Agent and compliance of Tax Laws by the Indian Agent and, to prevent leakage of foreign exchange.

15.0 Reasonableness of Prices

It has been noticed that the purchases are being made by some of the organizations in an adhoc and arbitrary manner without satisfying the prime requirement of establishing the reasonableness of rates in relation to the estimated rates, last purchase prices or the prevailing market rates. Some of the instances are as under:

(i) An organization placed an order for spares on a trader at an abnormally high price of about 40 times the OEM's price. In yet another case, in a span of 10 days, the order was placed on the same firm for the same item at rates almost 10 times of the previous order.

(ii) In another case for procurement of an ore crusher, out of 6 offers received by the organization, 5 offers were rejected mainly on the basis of unspecified technical requirement, presumptions and conjectures. Therefore, the competition was killed. The prices of single left out offer were justified by extrapolating the prices of a lower capacity crusher (which were worked out by taking 5% compounded

annual escalation over 10 years old prices) in proportion to the crushing force.

(iii) In yet another case for hiring of coolers, orders were placed for ambiguous categories of items like 'new' and 'as good as new' coolers. An order was placed on a firm for the category for which the firm had not quoted in their original offer but had subsequently quoted, after they were invited for negotiations. Despite the firm lacking in technical and financial capability and there being cartel formation, still the order was placed at exorbitant prices in comparison to earlier prices for a period of 3 years. Knowing well the cartel of firms and exorbitant prices, the department did not consider placement of order only for one year as for next two years, fresh tenders could have been invited to break the cartel and get better prices.

- It is very important to establish the reasonableness of prices on the basis of estimated rates, prevailing market rates, last purchase prices, economic indices of the raw material /labour, other input costs and intrinsic value etc., before award of the contract.

16.0 Advance Payment & Bank Guarantees

(i) As per CVC guidelines circulated vide Office Memorandum No. NU / POL / 19 dtd. 08.12.97, it has been brought out that payment of mobilization advance should be made only in cases of select works and that the advance should be interest bearing so that the contractor does not draw undue benefit. However, it has been noticed that some of the organizations are quite liberal in allowing the advance payments even to the extent of 30-40% and that too, totally

interest free. In some organizations the payment of advance is being stipulated in the bid document itself. The payment of interest free advance is in contravention of the guidelines issued by CVC.

(ii) It has been observed that in some cases, despite provision in the contracts for releasing advance payment against Bank Guarantee, the advance payments were released without taking any Bank Guarantee. Unfortunately, in some of the cases, the suppliers failed to discharge their contractual obligations and huge advances are still outstanding for the last several years. It would be suicidal, if the advance payment is released without the Bank Guarantee for an equivalent amount

(iii) In some cases, it has been observed that though the prospects of supply were bleak, still timely action for revalidation / encashment of the Bank Guarantee for the advance payment was not taken and the Bank Guarantees were allowed to lapse, jeopardizing the Govt. interest.

In one of the cases, though the initial advance payment of 20% was released against the Bank Guarantee, however, further 65% progressive payments were also made simply against certification of Internal Auditors that the amount claimed does not exceed the progressive expenditure. The payments were made in a span of hardly 2 months much before the bulk production clearance and without safeguards like Bank Guarantee etc. The Bank Guarantee for 20% initial advance payment was also allowed to lapse. Thereafter, the firm did not make any supplies and was declared sick and huge Govt. claim towards the advances made without

protecting the Govt. interest remain unrecovered.

(iv) The Bank Guarantees accepted were at times defective/conditional and did not safeguard the interest of the purchaser. Normally, the BGs permitting encashment without any demurmerely on a demand from the purchaser are accepted. However, in some cases, though the Bank Guarantees submitted by the suppliers were conditional, stipulating "the encashment only if it is established the supplier had failed to comply with his contractual obligations," but, the same were accepted.

In one of the cases for procurement of high value equipment, it was observed that though for release of initial advance payment of 30%, submission of a Bank Guarantee was stipulated but, surprisingly for further progressive payments upto 50%, which were also in the form of advances (without receipt of the equipment), the reimbursement

of payment simply on the basis of a 'Certificate of Assignment' and without any BG was authorized. After release of first 30% progressive payment, BG taken for 30% advance payment had automatically expired as per terms of the BG. Evidently in this case, the BG was not examined properly before acceptance and the defective BG having conditions deterrent to the Govt. interest was accepted

(v) In some cases, it was noticed that the effective date of contract was linked with the date of receipt of Bank Guarantee for advance payment. This is detrimental to the purchaser's interest as in the absence of a specific date for submission of Bank Guarantee, it would not be possible to establish specific date of breach to enforce the contractual remedies. In such cases, the supplier will get full opportunity to wriggle out of the contract, if he so desires without fulfilling contractual obligations.

• The advance payments need to be generally discouraged except in specific cases. Wherever payment of advance is considered unavoidable, the same should be interest bearing as per CVC guidelines and be allowed after getting an acceptable Bank Guarantee for an equivalent amount with sufficient validity so as to fully protect the Govt. interest. Some reasonable time should be stipulated for submission of Bank Guarantee so that contractual remedies could be enforced, if required. The Bank Guarantees need to be properly examined with respect to the acceptable format and any conditions deterrent to the Govt. interest should be got withdrawn before acceptance besides verifying the genuineness of the Bank Guarantees from the bankers. Timely action for revalidation / encashment of the Bank Guarantees also need to be taken so as to protect the Govt. interest.

..... to be continued

DISCIPLINARY PROCEEDINGS

Vigilance Department of RINL had released earlier a booklet intended to serve as a user manual for Disciplinary Authorities/ Inquiry Officers / Presenting Officers and all other concerned about Do's and Don'ts in Disciplinary Proceedings. It is being reproduced for information and guidance of our readers. This is the **3rd & Final** part of the booklet.

IMPORTANT DO'S FOR PRESENTING OFFICER

1. Study all the original records of the case based on which the charges are framed and acquaint himself with all the facts of the case thoroughly including all the elements of misconduct committed by the CSE.
2. Be in a position to assist the Inquiry Officer to plan the stages of regular hearing purposefully.
3. Collect all listed documents and all the statements of witnesses taken during the investigation, if not received already.
4. Correlate each item of oral or documentary evidence to the statement of imputation of misconduct and decide what is likely to prove or fails to prove.
5. Scrutinize the charge sheet and the Defence Statement for giving up unnecessary formal witnesses at the time of preliminary hearing.
6. Anticipate what the CSE is likely to admit; then, omit the evidence intended to prove admitted facts or which is superfluous.
7. If a document is admitted, it can be produced by a person in possession of it. On the other hand, if the contents of any documents are not admitted, the person who prepared it or maintained it must be offered as a witness so that the CSE can cross-examine him.

8. Be in a position to collect necessary evidence and witnesses for presentation at the regular hearing with greater precision. Keep all your witnesses present for hearing from day-to-day.
9. Before departmental witnesses are examined at the enquiry, it would be desirable to meet them in advance and refresh their memory by referring to their statements recorded at the time of investigation.
10. Remember the points which are generally raised by the defence, viz. malafides, natural justice and burden of proof. Equip yourself fully how to meet them.
11. Have a thorough knowledge of departmental policies and procedures. He may re-examine the prosecution witnesses.
12. Keep an eye on the procedural aspect at different stages of the disciplinary proceedings and aid the inquiring authority in securing proper compliance with such rules.
13. As the enquiry proceeds, take down notes so that you do not leave out points to be covered during cross-examination / re-examination. This will also help you in preparing the brief at the end.
14. Throughout the conduct of the inquiry you should conduct yourself in such a manner that the CSE will have no reason to feel that you have any undue influence over the Inquiring Authority.
15. Lead fresh evidence on behalf of the Disciplinary Authority to further clarify some issues raised in the course of the inquiry.
16. Submit your brief in time.

IMPORTANT DON'TS FOR PRESENTING OFFICER

1. Try to get adjournments.
2. Assume the role of a public prosecutor.
3. Examine your witnesses on issues not relevant to the charges.
4. Expect the CSE to disprove the charges so long as the burden of proving the charges is not discharged by you.
5. Put leading questions to your witnesses during examination-in-chief.
6. Delay submission of your written brief to the IO.

CVC CIRCULARS

Circulars were issued by CVC during the quarter ending 30.06.2013:

| S.No | Subject | Circular No. & Date |
|------|---|---|
| 01 | Delhi High Court's decision in LPA No. 618 / 2012 dated 06.11.2012 in the matter of disclosure of information under the provisions of RTI Act, relating to disciplinary matters | CVC / RTI / Misc / 10 / 002 of 4th April 2013 |

For complete text of the Circulars, please visit www.cvc.nic.in

SYSTEM / CASE STUDIES

1. Forfeiture of Bank Guarantee (BG) submitted against EMD (EMD-BG)

During an enquiry, it was observed that though L-1 tenderer backed out from execution of the work, EMD-BG of Rs. 75,00,000/- submitted by the tenderer could not be encashed within its validity.

To avoid recurrence of such situations in future, the department concerned was advised to devise a procedure for monitoring and timely invoking of EMD-BG and the same procedure may be issued from MS department so that it can be made applicable uniformly by all the relevant sections of RINL.

2. Discrepancy in validity of LSGP indicated in hard copy

During a surveillance, it was observed that validity of the Loading Slip cum Gate Pass (LSGP) printed on the hard copy is "for the date of issue only" whereas, at another point, it is appearing as "valid for 12 hrs from LSGP preparation time".

As there is ambiguity between preprinted stipulation and validity printed while issuing the LSGP, Marketing department was advised to suitably amend the LSGP.

Accordingly, the hard copy of the LSGP was amended by the Marketing Department.

3. Duration of stay of “vehicle entering with LSGP” inside the plant

During a surveillance at BC gate, it was observed that there is no limit specified for duration of stay of vehicles entering inside the plant with LSGP. As long as the corresponding Delivery Order (DO) is valid, the vehicle can stay inside the plant, without any time limit.

To have a better control over movement of vehicles inside the plant, the department concerned was advised to devise a procedure for fixing a time limit for the duration of stay of vehicles inside the plant.

4. Mismatch in heat number while loading

During a surveillance in Mills area, it was observed that there is mismatch in heat number indicated in the loading documents vis-à-vis actual load.

Considering that the same may have financial implication if two different grades of materials are there in two different heat numbers, the department concerned was advised to ensure that heat number indicated in the loading documents vis-à-vis actual load should be same.

5. Non maintenance of records for calculation of wastage of refractory material

In a surveillance, it was observed that though as per contract the contractor is responsible for any damage occurred during shifting and application of materials and penalty shall be levied if the wastage is in excess of maximum allowable wastage limit, no record is maintained by the section concerned to ensure whether the wastage during transportation / application is within allowable limit or not.

The department concerned was advised to devise a format with all the relevant fields clearly indicating the % of wastage during transportation / application.

The format was devised by the department concerned and the same is in use now.

6. Expiry of Bank Guarantee submitted by a party towards security deposit

During Intensive Examination of works in expansion area, it was observed that the expiry of validity of Bank Guarantees submitted by a party towards Security deposit (SDBG) was not noticed by the section concerned.

The section concerned was advised to ensure immediate extension of the SDBG and accordingly the matter was taken up with the party and validity of the SDBG was extended by them.

7. Penalty clause in respect of delay in lifting rejected materials at Ferro Alloy stores

Since there is no penalty clause in Purchase Orders, in respect of the delay in lifting the rejected materials, there was an abnormal delay in lifting the said material by certain Ferro alloys suppliers (except in case of Si-Mn) resulting in shortage of space at Ferro Alloy Stores.

Considering the same, the department was advised to review the present penalty clause with regard to non-lifting of the rejected materials in respect of various Ferro alloys in line with penalty clause of Purchase Orders of Silico Manganese.

8. Review of the existing shortage allowances(s)

In line with the terms and conditions of the present CA/HC contracts, the excess against certain items are being adjusted against the shortages against different items and net shortage is calculated.

Since there exists excess in certain consignments and shortage in respect of other consignments despatched, the department was advised to review the existing shortage allowances(s) so as to make the contractor responsible for the quantity as despatched from the plant [i.e. without extending any shortage tolerance].

9. Railway freight for despatch of Rebars to stockyards

At present, the Rebars in coils form and also in straight length form are being despatched from plant to stockyards. The railway freight in respect of Rebars in straight length is higher than that of the freight of Rebars in coils and the company is also incurring expenditure on account of straightening, cutting and bending of Rebars from coils at plant and also stockyard as well. In certain cases, it is noted that the total cost of freight [inclusive of freight and expenditure on account of straightening, cutting and bending at yard] is lesser when the material is transported in coils from plant to yards and straightened at yards.

Based on the above, the department was advised to take into consideration the total freight including the straightening, bending charges at plant/yard before taking a decision with respect to despatch of Rebars either in Coil form or 'St & bent' form from Head Quarters to different stockyards.

10. Inter-Branch stock transfer

At one of the branches, it was observed that they had stock transferred material to a branch within the region by incurring additional freight and later, the second branch sold the material to its customers by offering higher dispensation than that of the despatching branch.

This has resulted in lesser realization at the receiving branch. To avoid recurrence of such cases, the department was advised to consider the NSRs of the material at both the branches, after considering all financial implications including transportation expenses, before taking decisions on inter-branch stock transfer of material.

11. Two envelope system of tendering

Noticing that mixed-up submission of bids by tenderers is posing evaluation problems, tendering department concerned was advised to examine the possibility for including clear instructions to the bidders in the NIT for 2-envelope system that PQC documents and techno commercial documents shall be submitted by separately grouping them in sealed envelopes.

12. Implementation of single on-line integrated system for entry/exit of vehicles

So as to have a control on the vehicles that are entering inside the plant, the department concerned was advised to devise and implement a suitable single online integrated system for recording the entry / exit of vehicles through different gates. Also, to track the movement of the vehicles that have entered the plant, usage of suitable devise/mechanism like RFID etc., was suggested.

13. Daily verification of physical stock balance with respect to book balance

Since the physical stock report at Mills is not prepared in terms of bundles and there is a need to tally the physical stock available at different locations inside the Plant vis-à-vis the book balance, it was suggested that daily physical stock report indicating number of bundles, product-wise to be prepared.

It was also suggested that, at periodic intervals, the same needs to be verified with the existing ground stock available by the department concerned.

14. Providing CCTV arrangement near the gates/surveillance points

So as to have surveillance and control, the department concerned was advised to examine the possibility of providing CC TVs near the gates / surveillance points and for linking the feed to the Company's website on live basis.

15. Replacement of analogue pumps with modern pumps having digital data recording system

Since analogue type of pumps, which are being operated in diesel bunks afford scope for malpractices, the department concerned was advised to modernize all pumps in the bunks with auto delivery and digital data recording system.

16. Replacement of Dip Sticks in LRS bunk

It was noticed that as the length of the dip sticks used for measuring the physical stock of fuel is insufficient, additional wires have been attached to one end of the dip sticks in the LRS bunk giving a scope for incorrect measurement of the fuel, thereby giving scope for pilferage.

The department was advised to replace dip sticks used for measuring the physical stocks of fuels with those of adequate lengths.

17. Indents raised by the departments for fuel to be filled up in vehicles

All departments / sections have been advised to monitor consumption of fuel of the vehicles used by them. While raising indent for fuel, the department concerned may assess the residual tank capacity of the vehicle, by possible means, and accordingly, raise SI notes for realistic quantity of fuel to be filled up in the vehicle.

NEWS AND EVENTS



During the recent visit to Mines, sensitization programme on 'Preventive Vigilance' was conducted to cover about 100 school children in two (2) sessions at JDAV Schools of MDM & JLM on 25th & 27th June 2013. During the sessions conducted with audio-visual aid, explained to the children the need to have a corruption free society and role of students in building it. Speaking on the occasion, Shri G V Subba Rao, AGM(Mines) I/c, JLM praised the initiatives taken by Vigilance Department and also explained the role of Vigilance in Public Sector units.

A programme on 'Preventive Vigilance in Contract Management' was also conducted covering about 40 executives working at MDM & JLM, in two (2) sessions.

CHECKS CARRIED OUT BY VIGILANCE DEPARTMENT DURING APRIL - JUNE 2013

| Activity | Numbers |
|----------------------------|-----------|
| 1. Surveillance / checks | 49 |
| 2. Road/Rail Re-Weighments | 35 |
| 3. Quality checks | 09 |
| Total | 93 |

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