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From CVO's Desk

In this issue, emphasis has been laid on the role of ethics and morals in public life. Corruption has a debilitating role in an organization. It saps energies and eats into its vitals. Ethics and morals on the other hand play a positive role. They determine what is just and what is unjust, what is to be done, what is permissible, etc.. Essentially, they distinguish what is right from what is wrong.

If the organization, and the society at large, have to come out of the vicious circle of corruption, it is not enough to be incorruptible and above reproach. Those who are silent spectators of corruption and those shielding the corrupt are also equally guilty of encouraging corruption.

It is only when such elements combine together and come out more openly in exposing corruption, armed with a strong commitment to ethics and morality, that the bulwarks against corruption can be strengthened, and the war is won through a series of battles..

S. Srinivasan
(S Srinivasan, IAS)

"Corruption will go when a large number of persons given to the despicable practice realize that the nation doesn't exist for them, but that they exist for the nation. It requires high Code of morals, extreme vigilance on the part of those who are free from corruption and also have influence over corrupt public servants.

Do not ignore the corrupt practices around you. Try to do whatever little you can to check them or report them to the appropriate authorities.



"Corruption is nature's way of restoring our faith in democracy"

-Peter Ustinov

HONOURING THE HEROES IN THE FIGHT AGAINST CORRUPTION

Transparency International's Integrity Awards honour the bravery of individuals and organizations around the globe whose efforts are making a distinct difference in curbing corruption. The goal of the Awards is to give greater recognition to the efforts of journalists, civil society activists and whistleblowers who work to investigate and unmask corruption, often at great personal risk. The Integrity Award Winners were honoured at a ceremony held on 21.01.2008 in Berlin.



Mark Pieth: Integrity Award Winner 2007, a criminal law and criminology professor in Switzerland, has provided outstanding leadership in fighting corruption on an international scale.



Le Hien Duc: Integrity Award Winner 2007, a Vietnamese school-teacher has become a resourceful anti-corruption fighter by filing complaints and helping fellow citizen's to challenge petty bribing and large-scale graft.



ETHICS IN HANDLING TENDERS

The special chapter on vigilance management in PSU deals with application of principles of vigilance. Chief Vigilance Officers of PSUs have been authorized to decide upon the existence of vigilance angle in a complaint. The scope of proving involvement of person/persons is based on a number of factors, which also takes the circumstances and motive into consideration. Values are what make it possible to choose between alternatives. And it is the choices made by individual or organization, which reveal their value system. L T Hosmer in his book on Ethics of Management (1987) defines ethics as statement of norms and beliefs of an organization and the way in which senior people in the organization want others to think. Organizations need to conduct business according to high principles. It is important to understand the values of the organization so as to make it possible to choose between alternatives based on values of the organization.

What Influences Unethical Behaviour

There is no clear consensus about ethical conduct and the standards are also not constant and absolute. However, knowledge, values and attitude of individuals and increased opportunity for unethical behaviour can be cited as the most potent factors influencing decisions and behaviour. In spite of a spate of guidelines in all conceivable manners, there is countless evidences of unethical behaviour in tenders. The common unethical practice can be showing undue favour, personal preferences, arbitrary selection of suppliers etc. Basic principle of all Government purchasing/tendering therefore should be such that they are beyond reproach. To this end, officers and managers need to do their duties in a manner, which ensures that they maintain a reputation for fair, unbiased dealing with all suppliers.

To ensure impartiality and integrity, the following simple precepts should be observed:

Declaration of Interest:

There is a need to declare any personal interest, which may affect or could be perceived to affect impartiality in carrying out any aspect of the work.

Confidentiality and Accuracy of Information:

Confidentiality of information should be maintained. The information must not be used for personal gain. Information given by concerned in the course of their work must be accurate, impartial and not designed to mislead.

Disclosure of Information:

The commercial confidentiality of information provided by tenderers must be respected and must not be used to attempt to influence other tenderers.

Preparation and Issue of Invitations to Tender:

Tender specifications should be flexible enough to ensure that they achieve adequate market coverage, and that a sufficient number of local suppliers are given the opportunity to submit quotations.

Business Gifts:

Officers dealing with tenders should not accept gifts from suppliers. The gift policy of the company should be very transparent and clear.

Hospitality:

Officers dealing with tenders should not accept hospitality from suppliers if such hospitality is likely to be perceived by others as being an influence on a business decision. When it is difficult to decide what is or is not an acceptable offer of a gift or hospitality, they should decline the offer.

Contact with Tenderers during the Evaluation Process:

To ensure that the integrity of tender evaluations is not prejudiced, any contact between tender evaluation personnel and tendering suppliers should be on a strictly formal basis.

Use of Consultant:

If the organization engages consultants to aid in the tender evaluation process, they must also be subject to the constraints listed above. Contractual agreements with such consultants should contain a statement to this effect, and should also stipulate that information gained during the tender evaluation may not be disclosed for a specified period after the evaluation.

Selection of Successful Tenders:

Technical specifications and evaluations should be checked by a second evaluating staff member to confirm their freedom from bias, and to verify that the offers contain all the elements necessary to enable them to be compared on a common basis.

The guidelines and manuals issued by CVC place responsibility on individual to act with fairness, reasonableness and fair judgment.

Transparency in handling tenders would mean providing fair systems and efficient and practical structures. The guiding principles of ethics should be:

- ❖ Behaving with integrity all the time.
- ❖ Honesty and fair dealing
- ❖ Striving for objectivity with regard to all considerations relevant for the task.
- ❖ Showing proper regard for technical and professional standards.
- ❖ From time to time, CTE Organization issues elaborate dos and don'ts in tender handling. Most of them are related to elaborate process. The guidelines to PSUs need to be adopted by the organizations in letter and spirit, so that they help them in maintaining internal standards and project right image before public.

CREATING AN ETHICAL CLIMATE IN AN ORGANISATIONAL SET-UP

Each one of us is familiar with the three monkeys, which "see no evil, speak no evil, and hear no evil". We seem to have taken this maxim to its extreme lengths. Today, we refuse to see, to hear or to speak about corruption though it is rampant all around us, and it affects us at every stage in our daily lives. No wonder, India has been identified as one of the most corrupt nations in the world. We take pride in the fact that we are an ancient civilization, and our traditions are a repository of wisdom, knowledge and values. Surprisingly, we do not attach much importance to the very same values in our conduct. To a common man, Government departments/undertakings are places where lethargy, corruption and un-professionalism thrive. Despite the fact that Government departments/ undertakings have done work in many areas, and continue to provide services in areas where private sector will not put its dainty feet, the reputation of Government organizations continues to be low in the eyes of the common man. It is therefore imperative to ensure that an ethical climate is created and maintained in the work place in the Government organizations. Ethical climate would require:

- (a) Conscientious conduct.
- (b) Transparency in decision making.
- (c) Accountability for decisions and actions.
- (d) Vigilance by every employee.

Governments and PSUs are mainly dealing with the public money, and therefore they have an added responsibility to ensure that this money is put to the best use in a given circumstance. The Government/ Managements may prescribe codes for ethical behaviour, and put in place rigorous procedures for decision-making and implementation of projects. Nevertheless, if the individual does not conduct himself with a sense of right and wrong, such codes and procedures will have only a limited impact. People often wonder how they can prevent unethical behaviour by their bosses, subordinates or associates. Examples all over the world illustrate the point that whistle blowers (those who report on the malpractices in their work place) have made an immense contribution to the public good. The Government of India has also issued a notification to ensure that the interest of the whistle blower is not adversely affected, and he/she is given protection against vindictive attitudes/actions. Norman Vincent Peale and Kenneth Blanchard prescribed a three-point test in their book, "The Power of Ethical Management", to decide whether a particular decision is ethical or not.

Ask the following questions whenever besieged by doubts on propriety of a decision:

- (a) Is the decision legal?

If it is not legal, it is unethical.

- (b) Is the decision fair?

If the decision is not fair to all the concerned stake holders, it is unethical.

- (c) If the decision is exposed, will I feel ashamed?

If you feel ashamed when the decision becomes public knowledge, then, it is not ethical. The three-point test could be the basis for judging decisions taken by self or others. If introspection of every decision on the above lines is followed by practice of vigilance and disclosure of unethical practices, an ethical climate can easily be created in the work place.



REAPING THE BENEFITS OF OPEN TENDERING

-A Case Study

A source complaint was received in Vigilance Department, RINL that "Open Tendering Process was not followed in the Tender for Export of a By-Product material".

Background to the above investigation:

RINL, VSP has offered one of its by-products to parties on Limited Tender basis for Merchant Exports. The threshold price of the material was fixed as Rs.100-00 per tonne.

Vigilance Investigation:

After preliminary investigation, Vigilance Department suggested to hold the Tendering Process on Limited Tender basis. Subsequently, Vigilance had studied and analyzed the whole tender process being followed for sale of the product, i.e. estimation, identifying parties, tendering procedure etc., and suggested to go for Global Open Tender for sale of the product, to get the competitive price by following a open transparent procedure.

Benefits accrued to the Organization:

After the Open Tender, the rate quoted by H-1 party viz. Rs.,201-60 per tonne which was "double" to the estimated threshold "Sale Price" made in the initial tender. The tender for sale of "By-Product" material was for 30,00,000 tonnes (for a period of 3 (three) years). Total monetary gain to RINL by implementing the Vigilance Suggestion/Recommendation to go for a Global Open Tender, was estimated to be more than Rs. 30 Crores. Further, it is also noteworthy to state that domestic price of the "By-Product" material which was much lower earlier was also revised on par with price obtained in the Merchant Exports.

Suggestions for Systemic Improvements in Contracts Procedures

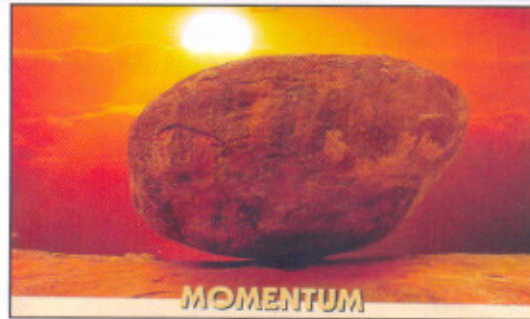
- ❖ As per the existing procedure, the Bank Guarantees submitted by the Tenderers need to be referred to the bankers for confirmation of issuance. It was observed in certain cases that the Bank Guarantees submitted by the tenderers are being referred back to the issuing bank for adding their confirmation. In this connection, in order to avoid possible connivance of the tenderers with Bank Guarantee issuing bank officials, it was decided to obtain confirmation of Bank Guarantees from the higher authority (Bank) under which the issuing bank functions.
- ❖ In a tender floated for an e-auction, it was observed that the bid of an agency who participated in the tender was rejected based on a circular issued subsequent to issue of NIT / Tender. The details of the circular were also not uploaded into the web. Tender Evaluation Committee evaluated the bids based on the circular issued later to the tender and rejected that bid due to non-fulfillment of the conditions stated in the circular. Tenders need to be evaluated based on the terms and conditions stipulated in the tender only and not on any other conditions.
- ❖ In a number of cases it was observed that single similar work was not being defined clearly in the NIT / Tender. Instructions have been given to clearly define single similar work in the NIT / Tender to enable the prospective tenderers to understand the requirements and quote accordingly.

Latest CVC Circulars

Sl.No	Subject	CVC Circular No & Date
1.	<u>Reference to the Commission for reconsideration of its advice:</u> No proposal for reconsideration of the Commission's advice would be entertained unless new additional facts have come to light which would have the effect of altering the seriousness of the allegations/charges leveled against an officer.	15/4/08 dt.24th April 2008
2.	<u>Adoption of Integrity Pact in major Government procurement activities:</u> In order to ensure compliance with the obligations under the Integrity Pact by the parties concerned, Independent External Monitors (IEMs) are to be appointed after obtaining approval of the Commission. While forwarding names of the persons for empanelment as IEMs, the organizations should send a detailed bio-data in respect of the each of the persons proposed.	18/05/08 dt.19th May 2008

Vigilance Checks carried out during April-June 2008		
Sl.No	Description	Total
1	Surveillance checks	91
2	Road re-weighments	30
3	Rake re-weighments	05
4	Quality checks	19
5	Stores checking	02
TOTAL:		147

"The more corrupt the state, the more numerous the laws" -Tacitus



A Little push in the right direction can make a big difference

NEWS & EVENTS

- ❖ **CTE visit to RINL :**
Sri V Ramachandran, Chief Technical Examiner, CVC visited RINL/VSP during April 2008. In an interactive session on 03rd April 2008, Sri Ramachandran, addressing the senior executives from Works, Projects, Materials, Marketing and Finance Departments, discussed and elucidated different aspects of Contract Management pertaining to Payment of advances, Seeking revised price bids, Negotiations with L-1 party and on retaining of price bids with contract officials etc., He stressed that CVC guidelines on negotiations with L-1 party need to be followed without any deviations.
- ❖ Shri Prakash C. Das assumed charge as General Manager (Vigilance) on 08th May 2008.

Editorial Board: PSN Murty, Sr Manager (V), RND Prasad, DM(V), G. Srinivas, AM(V) & E Srinivasa Rao, JM(V)

Note: Spandana can be viewed at <http://www1.vpsite.org/vigilance/spandana/tabid/70/default.aspx>

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

Views and Opinions published in this Newsletter do not necessarily reflect the Management's thinking and Policy.