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My warm greetings to all

There are four important aspects of good governance viz., Rule of law which entitles everyone to equal protection under the Law, mitigating corruption as it involves lack of integrity and propagation of unethical practices which vitiate the ambient atmosphere. The third aspect is to create and preserve an enabling environment so that the potential of an organization emerges. The fourth important aspect is productivity meaning thereby that the Stakeholders' interests are protected resulting in effective efficient utilization of resources like Human Resources, Time, Financial and Material Resources.

A common thread passes through these aspects viz., Openness, Transparency, Fairness and Honesty. The legacy of Honesty is the Hallmark of Organizational Excellence and needs to be imbibed by one and all. The potential of an Institution can be made or marred with the prevalence of good institutional changes towards good Corporate Governance.

The Company faced several challenges in 2015 with elan, and 2016 looks to be promising. All efforts need to be made and energies should remain focused to achieve and accomplish the desired results. Vigilance at VSP always introduces comprehensive checks and controls to bring about transparency; all aimed at enhancing the image of the organization. Only then can we lead by example so as to realize the dream of the Government to Make in India and make Bharat a resonant Republic.

With best Wishes,

(B. Siddhartha Kumar)

NEW YEAR MESSAGE



Addressing the senior executives on the occasion of New Year at Ukkunagaram, CMD, Directors and CVO urged the employees to work with deep sense of commitment, contribute towards growth levels and infuse confidence among the stake holders and expressed happiness over the improved performance of plant. Sri Madhusudan mentioned that focus in the new year should be on improving techno parameters and stressed the need to maintain high quality of the products to enhance the brand image of the Company and exhorted the RINL collective to work with utmost dedication to achieve the goals set for the financial year. On this occasion, Sri Madhusudan, CMD had released the "2016 New Year Calendar and Diary" in the presence of CVO and Directors.

Speaking on the occasion, Sri B Siddhartha Kumar, IFS, CVO, RINL highlighted the need to use IT tools for achieving Transparency in administration, which helps to enhance the efficiency of the organization.

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
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Rashtriya Ispat Nigam Limited
Visakhapatnam Steel Plant

Breach of Propriety in Public Procurement : Some case studies

by Shri Asit Gopal, Director, CVC

Published in VIGEYE VANI news letter (July-Sep 2015 issue) of CVC

The five canons of propriety in public procurement are **Transparency, Fairness, Value for Money, Timeliness and Quality**. These canons of propriety are comprehensive as they cover the process as well as the quality of procurement. Although there is no law exclusively governing public procurement of goods, there are rules and guidelines to ensure adherence to canons of propriety in public procurement. Detailed rules and instructions relating to procurement by Union Government are contained in General Financial Rules (GFR) and Delegation of Financial Powers Rules (DFPR) and in addition major Ministries have their own purchase procedures. Guidelines have been issued by the Central Vigilance Commission to ensure transparency and objectivity in public procurement.

The following two cases illustrate how the canons of propriety in public procurement had been flouted by public authorities. Vigilance angle is obvious if there is a deliberate violation of canons of propriety.

CASE-I

The Vigilance Wing of a major Ministry of the Union Government unearthed large scale irregularities in the procurement of items in the depot. The irregularities in brief were as follow:

Indenting simple Stock items under disguised Non-stock description: While generating the requisitions, the concerned indenting officials camouflaged the description of simple ready to use items in high sounding, technologically complex jargon with inflated rates. For example, one of these items was a simple “Push Button Telephone” which is a regular stock item of Stores Depot with well known pricing history maintained in the Stores office. This item had been describes as “digital point to point communication system” in the non-stock requisition with an estimated rate which was much higher compared to the stock item purchase rate.

Recommending bogus and unworthy sources of supply for procurement: While sending these non-stock indents to the Store Office, the indenting officials had endorsed bogus and non-existent firms as “credible source of supply” although the indenting unit was located at a place where dozens of the credible suppliers /agents were known to be located. During Vigilance Investigation, when postal communication with these suppliers were attempted, most of the letters returned to Vigilance as “undelivered” proving that the recommended sources were not only unworthy but even bogus in nature.

Making local purchases of materials at exorbitant rates: During preventive check, Vigilance had unearthed several cases of irregular procurement wherein the Stores Offices had failed to exercise basic prudence and propriety during the purchase process. In 8 cases that were checked and analyzed, the concerned Stores Officers had accepted the offer of the lowest Suppliers in 7 cases without verifying the “Reasonableness of rate” from the indenting Department as is required to be done in accordance with extant rules.

Certifying bills over and above the Maximum Retail Price (MRP) of the product: During checks conducted by Vigilance, it was revealed that in all cases, the MRP of the material was far less than the rate mentioned on the Purchase Orders. As per extant procedure it was the duty of the Consignee to check the items vis-a-vis the information contained in the purchase order, a copy of which was already in their possession. It was the duty of the consignee and other indenting officers to release bills only after exercising such check.

The above case is not an example of error committed during procurement due to lack of awareness of rules and guidelines, it is a case of conspiracy to cheat the Government. The irregularities had been committed in a well planned manner right from the pre-tender stage to the execution including payment. In this case all the canons of propriety except timeliness had been flouted. Timeliness is important for committing a fraud! Needless to say, the Central Vigilance Commission advised initiation of major penalty proceedings against the conspirators.

CASE-II

A tender had been invited for construction of minor bridges. The tender conditions allowed participation of group of companies by way of forming a Joint Venture (JV). Six tenders were received and the tender was awarded to L-4 bidder after rejecting the bids of L-1, L-2 and L-3 bidders. The rates quoted by L-1 bidder and L-4 bidder were Rs. 25 crores and Rs. 29 crores respectively. L-1 bidder complained that its bid had been wrongfully rejected to favour L-4 bidder.

The tender condition specified that one company cannot be a partner in JV in more than one bidding JVs. It was revealed that one company was partner in L-2 as well as L-3 JV and therefore, the bids of L-2 and L-3 were justifiably rejected. However, in the case of L-1 bidder, it appeared that the Tender Committee had made up its mind to reject the bid and were only looking for some excuse to justify rejection. The tender document had specified a format for signing of Memorandum of Understanding (MOU) among partners of JVs. The bid of L-1 was rejected on the ground that MOU was not in the specified format mentioned in the tender document. The Tender Committee had also obtained the opinion of the Law Officer of the Organization to support the rejection. The Vigilance Wing of the Organization had supported the stand of the Tender Committee and had recommended no action against them. However, the perusal of the case revealed that the MOU was in the specified format, the Tender Committee had picked up some typographical errors and minor difference between the address of one partner as mentioned on the first page and the last page of MOU to reject the bid. The typographical errors did not alter the intent of the MOU. The basic intention of the MOU was to ensure that the shareholding pattern of JV is not altered later. The Tender Committee had interpreted the tender conditions in the strictest possible form to reject the L-1 bid.

The Central Vigilance Commission differed with the recommendation of the Department and advised initiation of major penalty proceedings against the members of the Tender Committee because their malafide was evident due to deliberate violation of two canons of propriety – fairness and value for money.

Conclusion

The two cases are in contrast as in the first the malafide is obvious right from the beginning but in the second case it is veiled. In the second case, the Commission differed from the views of the Department because the ground of rejection of L1 was not convincing. The opinion of the Law Officer was also not categorical. It stated that although tender conditions have been violated, the Tender Committee may take a final view considering the overall interest of the Department. This suggested that there was scope for accepting L-1 tender and further, considering the substantial difference in the quotes of L-1 and L-4 bidders, the option of discharging the tender was also available before the Tender Committee. The overall conduct of the Tender Committee gave rise to reasonable doubt that they had not acted in a fair manner. A decision based on keeping in view all the five canons of propriety in public procurement can never go wrong.

SYSTEM / CASE STUDIES**1. Study on collection of power consumption charges from the allottees of Gurajada**

Since the present system of collection of power consumption charges from the allottees of Gurajada Kalakshetram is providing scope for corruption and also resulting in lesser collection, the Department was advised to review the system.

2. Study on Vendor Base

Department concerned was advised to review the present vendor base and identify all such cases where no. of registered vendors is less than two, which results in placement of Purchase Orders(s) on all the registered vendors, and make focused efforts for increasing vendor base, thereby reducing the Procurement Cost.

Violation of the Canons of Propriety in Public Procurement : Case Studies

by Shri Mukesh Saxena, Technical Examiner

Published in VIGEYE VANI news letter (July-Sep 2015 issue) of CVC

The cardinal principle of any public procurement is to obtain works/materials/services of the 'specified' quality within the 'specified' time at the most competitive prices in a fair, just and transparent manner.

Several instances of malpractices in the award and execution of works/contracts, financial imprudence on the part of the officials resulting in infructuous expenditure, etc. are generally observed during Intensive Examinations conducted by the Chief Technical Examiner's Organization.

Two case studies, emanated from Intensive Examinations, demonstrating sheer callousness and disregard to the basic tenets of public procurement i.e. transparency, fairness, value for money, quality and timeliness are presented as below—

Case 1:

It pertains to award of work for the construction of residential and academic buildings, valuing more than Rs. 100 Cr., of a premier management institute -

For the selection of the Architectural Consultant, no objective selection criteria were pre-decided. Selection was made on the basis of a design competition only. No deliberations/reasons were recorded for the selection either. As such, selection was done in an arbitrary and subjective manner. Further, for the consultancy fee, competitive financial bidding was not done as the fee was pre-decided @ 5% of the project cost.

– Non transparent and Unfair

During prequalification of the Contractor, qualifying/evaluation criteria were not laid down. Definition of ‘similar work’ was vague and not specific to the work. Out of 25 applications received, only 10 were pre-qualified. Further, 4 pre-qualified bidders were further eliminated on flimsy grounds and bid documents were issued to 6 bidders only. Financial bids were received from two bidders only. Work was awarded to the L1 bidder @ 22.75% higher than the estimated cost. Bid justification was not prepared. Rather, the estimated cost was enhanced on account of inadmissible factors to justify high tender rate of L1.

– Non transparent, Unfair, & value for money compromised

During construction stage several instances of infructuous expenditure were observed, viz.

- a) Watch Towers / Surveillance Towers required to be made of brickwork but were constructed in RCC.
- b) Boundary wall: Instead of removing the existing MS grill fencing and constructing a boundary wall with brick masonry, the whole length of boundary wall (approx. 1700 m) was cast in M-25 grade RCC even ‘encasing’ the existing MS grill fencing.
- c) Storm water drain: Storm water drain with M-25 grade RCC concrete has been provided though a brick drain could have easily served the purpose.

– Value for money compromised

Case 2:

It pertains to work for the construction of a hospital complex, valuing more than Rs. 250 Cr., of an apex healthcare institute -

In view of sloped terrain of the area, the hospital building complex was envisaged to be constructed with a lower ground floor (LGF) area having G+4 floors and upper ground floor (UGF) area having G+3 floors. However during execution, a decision was taken to provide an additional slab at UGF level to create an additional floor. Accordingly, a slab with 1200 Sqm (approx.) area was cast. However, later it was observed that the floor space so created had no functional utility as the available floor height was much less(4- 5 ft. at several locations) having no ventilation. As such, the whole expenditure had become infructuous.

– Value for money compromised

Sanctioned cost of the work was Rs. 267.55 Cr. out of which Rs. 220 Cr was expended till Oct 2014, whereas the progress achieved was mere 70%. The extended date of completion had already expired more than 15 months ago.

– Timeliness not observed

Provision of bricks manufactured by GHOL process (first class table moulded) was specifically kept in the agreement for brick work. However, fly-ash bricks/ FPS clay bricks were being used at site (without any approval of the competent authority). Payments were made as per the BOQ rate for the item of GHOL bricks only.

– Quality compromised

Excerpts from Prize Winning Essays

- Competitions conducted for College Students in connection with VAW 2015 -

What can I do to prevent Corruption ?

- ❖ The main reasons for corruption are lack of education, inadequate salaries of employees, Political issues, lack of awareness and desire to earn more.

I will

never take or give bribe, in my entire professional career.

I will

educate the people around me and make them aware of the effects of corruption on the economic growth of the country

I will

inform the authorities/agencies dealing with anti-corruption activities about the corrupt practices noticed by me and publicize them through social media

- ❖ Corruption is like a 'black hole' which tries to attract everything around it with a strong force, but it is our responsibility to stick to our principles and not to get corrupted.

I want to

conduct anti-corruption programmes in villages/cities.

I want to

discuss the problems faced by the common people due to corruption in the society and firstly I ask them to stop giving bribes.

I want to

tell people to keep their hands clean first, before pointing fingers at others.

VIGILANCE POLICY – REVISITED

“Eternal vigilance is the nucleus of RINL Vigilance Policy 2015, to achieve excellence by developing an international image of RINL as a clean, transparent, continuously learning and growing organization and to function as catalyst to contribute for the improvement of its efficiency, productivity and profitability”

DO YOU KNOW?

A Short ‘QUIZ’ on various facets of Vigilance, Anti-Corruption & Ethics :

- 1 Which survey by Transparency International covering 1,14,000 people in 107 countries on their view of corruption is the largest of its kind?
- 2 What is the term for a form of bribery, in which one person or party offers another, an attractive sum of money, in exchange for remaining silent about some illegal action of the person or party who has made the offer?
- 3 Which Padma Bhushan awardee was the founding Director of CBI?
- 4 What was defined by sociologist Edwin Sutherland in 1939 as "a crime committed by a person of respectability and high social status in the course of his occupation" ?
- 5 Which term was coined in 1963 by Laxmi Mall Singhvi, a member of parliament during a parliamentary debate about grievance mechanisms?

- [Answers at Page 8](#)

NEWS AND EVENTS

VAW - 2015 activities at Captive Mines



Photos show the ‘Letter of Appreciation’ and ‘Prizes’ presented to the students of JDAV Schools at Madharam Dolomite Mines, Madharam & Jaggayyapeta Lime Stone Mine, Jaggayyapeta of RINL-VSP in connection with the Competitions (Essay Writing & Elocution) organized during ‘Vigilance Awareness Week 2015’. The programme was chaired by Shri D Siva kumar, DGM(Mines), In-Charge (Mines -MDM) & Shri Shiv Prasad, AGM(Mines), In-Charge (Mines -JLM).

Two sensitization programmes were conducted during January 2016 on the topic “Preventive Vigilance as a tool of Good Governance” at JDAV Schools of MDM & JLM, covering 120 students.

67th REPUBLIC DAY CELEBRATIONS AT RINL-VSP



The 67th Republic Day was celebrated in Ukkunagaram with patriotic fervor and traditional gaiety. Photos show the Republic Day Address by Sri P Madhusudan, CMD-RINL; a view of the audience in rapt attention while taking Guard of Honour and Colorful cultural show put forth by school children

Answers to QUIZ:

1) Global Corruption Barometer; 2) Hush money; 3) D P Kohli; 4) White-Collar Crime; 5) Lokpal

CHECKS CARRIED OUT BY VIGILANCE DEPARTMENT DURING NOVEMBER-DECEMBER 2015

Activity	Numbers
1. Surveillance / checks	08
2. Road/Rail Re-Weighments	01
3. Quality checks	04
Total	13

Editorial Board: S Jaganathan, GM(Vig); AGK Murty, AGM (Vig), GY Rama Mohana Rao, Sr. Mgr (Vig.) and D Ramakrishna, DM(Vig)

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

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