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Greetings to all.

The objective of vigilance is to ensure that the management gets the maximum out of its various transactions. In the field of purchases, it should get the quality product at competitive rates. In the field of sales, it should get the maximum realization for its products at the minimal selling cost. In the field of personnel, it recruits the best talented people and keeps the morale of the people high. Likewise, in anyone of its transactions, it should endeavour to get the best and excel.

Sound foundations have been laid in Vigilance to preserve the underlying principles of adhering to Truth, Devotion to Duty & Discipline. Vigilance has emerged as the managerial strategy where the stringent systems & procedures are enmeshed to protect the Company from the possibility of any leakages of its resources in the form of corruption or unfair practices which can adversely impact the productivity & profitability.

I congratulate the Vigilance Collective and officers for striving towards Perfection and Excellence untiringly and upon being conferred with the Corporate Vigilance Excellence Award consecutively for the 3rd year by IPE.

With this confidence, we move into the next Financial Year once again with our approach of Openness, Fairness and Transparency in our business.

With best wishes.

(B. Siddhartha Kumar)

RINL VIGILANCE BAGS CORPORATE VIGILANCE EXCELLENCE AWARD FROM INSTITUTE OF PUBLIC ENTERPRISE, HYDERABAD FOR THE YEAR 2015-16

RINL, the corporate entity of Visakhapatnam Steel Plant was bestowed with the prestigious "Corporate Vigilance Excellence Award" for promoting transparency in its procedures and bringing awareness in combating corruption in the organisation. It is noteworthy to mention that VSP has bagged the award for the 3rd time in a row



Sri B Siddhartha Kumar, IFS, CVO, RINL received the "Corporate Vigilance Excellence Award" from the Chief Guest Sri Sarat Kumar Acharya, CMD, Neyveli Lignite Corporation Limited

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

PREVENTIVE VIGILANCE A TOOL FOR GOOD CORPORATE GOVERNANCE

(An article by Dr. Rajen Mehrotra, published in 'Kaleido Scope', December 2015 issue)

The Central Vigilance Commission which is the apex integrity institution of Government of India has been making all out efforts to promote transparency and integrity in public life and hence every year calls upon various Government Departments as well as the Public Sector Units (PSUs) to celebrate Vigilance Awareness Week. With the objective to encourage all stake holders to fight corruption which adversely effects economic development of the country.

The Maharashtra State Gazetted Officers' Federation which is an umbrella body of 72 organizations in the state and having 1,50,000 members, consisting of class I and class II government officials conducted a survey of 5,000 employees in the last two years and the findings which were published in October 2015 indicate that 5 percent of the Government employees are corrupt and beyond salvation, 15 percent are fence sitters and 80 percent of employees had either no chance or did not wish to indulge in corruption. This is an interesting finding. The Federation has come up with 'Pagharat Bhagwa' a joint campaign between the state and the federation, which aims at creating a psychological deterrent to corruption in the minds of Government employees. The federation has asked all its members to learn to live within their means with the aim of curbing corruption.

As per Gordon B Hinckley "Eternal Vigilance is the price of eternal development". All the Government Departments, as well as the PSUs in India have not only installed a vigilance department/ vigilance officer but also tried to educate the employees not to indulge in corrupt practices, but more needs to be done. The stake holders can report on corruption cases to the vigilance officer, so that the cases can be investigated and those found guilty punished. However, reality is that most citizens do not report cases to vigilance department / vigilance officer and there are quite a few who have both perception and experience that there are quite many local, state and central Government departments where the system itself is corrupt and things do not move, if speed money is not paid or if one does not deal through agents. Citizens by and large agree that there is need to ensure that corruption which is a cancer needs to be eradicated and hence, the role of preventive vigilance becomes important.

Traditionally business was conducted as sole proprietorship and partnership firms and moved to the concept of joint stock Company wherein the liabilities were limited by the capital invested by the promoters and to the shareholders through the shares acquired by them in the joint stock company. We have both the PSUs and Private Sector Units that operate as joint stock companies and in their operations are now governed by The Companies Act, 2013 and Securities and Exchange Board of India (SEBI) Act, 1992 [As amended by the Securities Laws (Amendment) Act, 2014]. However the PSUs also get governed by the Central Vigilance Commission and the Right to Information Act, 2005. Some of the PSUs have been demanding that the Right to Information Act, 2005 must also apply to Private Sector Enterprises operating in India, so as to have a level playing field.

In today's environment while the Corporate Sector has been asking for reduced interference by the Government, it is all the more essential that the operations of the companies both in PSUs and Private Sector Units are transparent and it is in this context that Corporate Governance becomes important. Preventive vigilance involves the adoption of a package of measures to improve systems/ procedures to reduce/eliminate corruption/ discretion. Preventive vigilance involves (i) assessing the various departments vulnerability to risk/fraud (ii) evaluating the scale of fraud (iii) assigning responsibility (iv) developing a response mechanism (v) periodically reviewing effectiveness of the system, upgrading the system and (vii) ensuring posting of officials with clean integrity in sensitive posts.

In the corporate sector some of the activities that have higher risk of being prone to corrupt practices are given below. Hence these activities not only need proper and transparent systems, but there is need to ensure that these functions are headed by persons with impeccable track record on integrity.

- Procurement activities dealing with all areas of operations including projects.
- Recruitment and selection process.
- Appointment of warehousing, transport and distribution agencies in sale of products.
- Activities that go on under Corporate Social Responsibility (CSR) .
- Marketing and sale of scarce products / commodity produced like fertilizers.

There is also need to have systems in place to protect honest officers, so that they can take objective business decisions free from extraneous considerations and not harassed for being honest. In the case of PSUs the control of the administrative ministry in the day to day working of PSUs is an area of grave concern for many undertakings. Also the appointment of full time directors in PSU should be handled only by the Public Enterprises Selection Board and the administrative ministry should have no discretion in the matter.

Presently investors, accounting professionals, banks, trade unions, NGOs, stock exchanges and regulatory authorities raise a voice when companies fail to deliver promised results where the shareholders lose money when the company gets liquidated, or continues to live in comatose. Organisation for Economic Cooperation and Development (OECD) has defined Corporate Governance as "Structure of relationships and corresponding responsibilities among a core group consisting of shareholders, board members, corporate managers designed to best foster the competitive performance required to achieve corporation's primary objective". The above definition brings out the relationship and responsibilities; however the same is expanded and operated by every country on the roles, audits, compliance and reports with the share holders, key stake holders and the board members and corporate managers. This has involved the availability of a whistle blowing policy to prevent fraud/corruption, investigate complaints of fraud/corruption and also punish those involved in fraud/corruption.

PSUs and Private Sector Units to operate have to obtain the necessary permissions / approvals and also regularly interact, comply with various laws of the land and file various returns with the revenue and non revenue departments of the local, state and central Government. Practically every PSU and most large Private Sector Units have a policy of not bribing or paying speed money to anybody including the Government officials, and at times to overcome critical hindrances / difficulties / delays that they face in dealing with certain departments of the local, state and central Government authorities, most of them have been using consultants, who at a fees deal with these authorities to get the work done. This is the escape route that most PSUs and Private Sector Units take, though there are units where the work suffers when approvals are not granted and some of them also take the litigation route to get the approvals.

Experience of most industries and establishments who have dealt with the local, state and central Government inspection machinery is that the officials, who come on visits to enterprises, are primarily interested in finding areas of non compliance/ deviation and rarely undertake any advisory role. Most of the inspectors/ officials in their official interaction during their inspection visits, while identifying areas of non compliance/ deviation, at times, give veiled threats of prosecuting the head of the industry / establishment. Quite often the concerned employer or his representatives, due to ignorance of the various sections of the laws, become vulnerable to such pressure tactics. At the same time there are industries / establishments whose practices do not meet the requirements, as per law, and instead of complying with the same, are interested in finding easy solutions.

We need transparency and corrupt free practices in the local, state and central Governments, through use of higher quantum of E-governance where various forms and returns can be filed electronically, decisions communicated electronically in specified time frame and all transactions and payments to be tracked and made electronically. There is need to reduce and limit discretionary powers with only senior officials and the present practice of issuing veiled threats of prosecution of the executives of the industry / establishment by the inspectors / officials in their official interaction needs to be eliminated. Also the laws need to change where deviations in the first instances should result in a fine rather than prosecution, if we desire to get rid of the inspector raj still widely prevailing at the local, state and central Government, in India.

DO YOU KNOW ?**A short 'QUIZ' on various facets of Vigilance, Anti-Corruption & Ethics :**

- 1 Which frequently used phrase was coined by US civic activist Ralph Nader in the early 1970s to avoid the negative connotations found in other words such as "informers" and "snitches"?
- 2 Which 11 letter word describes the illegal business of transporting or smuggling alcoholic beverages where such transportation is forbidden by law?
- 3 Which Management guru said " Be concerned about due process. People seek fairness-not favours. They want to be heard. They often don't even mind if decisions don't go their way as long as the process is fair and transparent" ?
- 4 What is the term used for an investigation of a business or person prior to signing a contract or an act with a certain standard of care?
- 5 Which prominent Indian journalist exposed the Jain Hawala scandal?

→ Answers on page 8

CVC CIRCULARS**Circulars issued by CVC during the period 1.01.2016 to 31.03.2016**

S.No	Subject	Circular No. & Date
01	Timely completion of disciplinary proceedings/ departmental inquiry proceedings – improving vigilance administration	000-VGL-18 of 18 th January 2016
02	Acceptance of Bank Guarantee (BG)	02-07-1-CTE-30/309204 of 04.03.2016
03	Action on Anonymous and Pseudonymous complaints	98/DSP/9(Part-2) of 7 th March 2016

For complete text of the Circulars, please visit www.cvc.nic.in**SYSTEM / CASE STUDIES****1. Checks in ERP system regarding Banned Agencies**

Department to explore the possibility of incorporating a check in ERP System such that if an agency is banned by one Section, the System should not allow placement of Orders on said agency by any other Section/Department of VSP.

2. Study on Sanction of Medical Advance

Medical and HR departments to devise a systematic approach/procedure to see that the Medical Appliances are procured and issued by VSP to the employee(s) rather than giving medical advance directly to the employee.

3. Study on procedure for inclusion/deletion of the dependent

HR department to re-visit/review the existing procedure for inclusion/deletion of dependent spouse in the personal records of employee, seeking valid document/certificate issued by Appropriate Authority in support of declaration made by the employee for the purpose.

4. Intensive Examination of maintenance contract in Works Division

During Intensive Examination (IE) study, it was revealed that the jobs being done are not recorded appropriately in the Log Books against BOQ items of the subject work. It was suggested that jobs carried out to be recorded in the Log Books mentioning BOQ item No./Description along with the job location. It was also suggested to devise a proper procedure/format to enable counter checking the defect liability period of all applicable BOQ items.

VIGILANCE CASE STUDIES

(Some of the Case Studies conducted by RINL – Vigilance over the years are reproduced for the benefit of readers)

1.0 Examination of the ‘System of processing of medical bills at VSGH’ :

On examination of the system of processing medical bills at VSGH, in connection with a checking of medical claims made by one of the employees, following observations and recommendations have been communicated :

- VSGH to review and take corrective actions in respect of the system of keeping blank stamped prescription slips at OPDs, to avoid misuse.
- To avoid wrong/excess reimbursement, it was suggested to modify the present online system suitably to enable the employees to submit reimbursement claim through the system; obtain a control number and send the hard copy to VSGH. VSGH to verify and upload the amount admitted against the claim, in the system, against the same number based on which, reimbursement would be made.
- To enter into a rate contract for timely procurement and supply of life saving drugs/items that require lead time to procure, so as to avoid grant of advance/reimbursement due to non-availability.
- Computerize the system of issue of prescription slips and reimbursement system to avoid reimbursement against unauthorized /ineligible items and also to review the data periodically and decide whether to procure and issue the repetitive items or not, keeping in view the cost advantage involved in direct bulk procurement by VSP.

2.0 Examination of e-Auctions being conducted by Marketing Department :

Observations:

- (i) Creation of lot(s) at Stock Yard:
- (ii) Delivery of higher quantity than receipt weight

Recommendations:

- (i) The procedure/guidelines is/are silent with regard to creation of lot at Stock Yard when two or more products are received in mixed condition. Marketing Department was advised to devise a procedure for declaring the lot quantity when the materials are received in mixed condition, at Stock Yard, and meant for tendering.

- (ii) Since the method of creation of lot(s) at Stock Yard is completely manual, so as to eliminate the errors/mistakes, while creating the lot, there is a need to explore the possibility of developing a system wherein the details of the material are directly picked-up from PPC package.

3.0 Examination of Vendor enlistments:

Vendors enlisted for supply of different materials were randomly selected and examined.

Observations

- (i) One firm was registered as a dealer beyond the period of authorization certificates issued by the manufacturers.
- (ii) One enlisted vendor was re-enlisted. While re-enlisting the firm, the initial Group/Sub-groups for which the supplier was registered were not reviewed.
- (iii) Without any back-up manufacturer details, a firm was enlisted as a dealer.
- (iv) One firm, which was not having any manufacturing facilities, was enlisted as a manufacturer.
- (v) In the Online system, no data is available with regard to the details of the manufacturers and the validity of the authorizations being issued by them in favour of their agents/dealers. Since the agents/dealers are also being enlisted as vendors, a link is required to be established between the agent/dealer and the manufacturer along with validity of such authorization accorded by the manufacturer. In case of registration of dealers/agents/stockists, there is a need to establish a link between the Vendor and the supporting manufacturer along with validity of authorization given by the manufacturer.
- (vi) Validity of registration:

As per clause no. 5.2.7 of Purchase Procedure Order – Module - 5 (Vendor Registration and Rating), the period of validity of registration shall be -

- All Government establishment/undertakings for a period of 5 years
- Manufacturers for a period of 3 years and
- Traders/Authorised Stockist for a period of 2 years

Out of the 9 Vendor Registrations examined, validity of registration was mentioned in respect of six registrations only. Examination of online Supplier Master data also revealed that validity is not being updated in the online system. In the absence of the same, it will not be possible to know the expiry of vendor registrations. Communication is not being sent in some of the cases. As such, the reasons for ... i) not sending communication to the suppliers about their registration with RINL, ii) not indicating the validity of registration in the communication being sent to the registered vendors and iii) not updating the data in the Online system need to be examined and appropriate corrective action is required to be taken in this regard.

Recommendations:

Out of the nine vendor registrations examined by Vigilance, in five cases, it was seen that it took more than 1½ years for enlistment of the firm(s). Since undue delay in enlisting the suppliers reduce the competition, it is desirable to have fixed time frame for different activities viz., Review by VRC, Recommendations of the Works Division, if any, Capacity assessment and approval and enlistment of the supplier etc. Further, to address different problems/issues, the pending applications for enlistment as Vendors need to be reviewed periodically and take corrective actions where ever required.

SAVINGS ACCRUED DURING THE YEAR 2015-16

Vigilance activities during the year 2015-16 resulted in a savings of **Rs. 14.59 Crores** to the Company, comprising of various recoveries effected from parties and benefits accrued from system improvements suggested, in addition to benefits like improvement in transparency, improved competition in tenders and reducing scope for corruption. Further, the improvements suggested are expected to give substantial recurring benefits to the Company in future.

NEWS AND EVENTS

Quarterly Meeting of CVOs of Steel CPSEs on 31.03.2016 under the Chairmanship of Secretary to Government of India, MoS



During the review meeting held on 31.03.2016 with CVOs at RINL, VSP, Visakhapatnam, Ms Aruna Sundararajan, IAS, Secretary to Government of India, Ministry of Steel said that the role of vigilance is multifold in the world of e-commerce, e-auction and public procurement, and exhorted the CVOs to strive to bring in fairness and openness through systematic improvement and transparency. Sri Sunil Barthwal, IAS, Jt Secretary (Steel) & CVO, MoS and important officials were present during the review meeting.

Sri P Madhusudan, CMD in his opening remarks observed that Vigilance should play a supportive role to the management in the present competent business environment and appreciated the Preventive Vigilance practices put in by Vigilance at VSP.

Vigilance Excellence Awards



'Vigilance Excellence Awards in individual category' were received by Vigilance Officers of RINL for their meritorious services and contribution.

Clock-Wise from top left: Sri M Sudhakar, AGM (Vigilance); Sri B Gopal, Dy.Manager (Vigilance); SM Haque, Dy.Manager (Vigilance) and Sri S Sreekant, Dy.Manager (Vigilance) receiving the awards from the Chief Guest Sri Sarat Kumar Acharya , CMD , Neyveli Lignite Corporation Limited in the presence of Sri B Siddhartha Kumar, IFS, CVO, RINL and others.

Answers to QUIZ:

1) Whistleblower 2) Bootlegging 3) C K Prahalad 4) Due diligence 5) Vineet Narain

CHECKS CARRIED OUT BY VIGILANCE DEPARTMENT DURING JANUARY - MARCH 2016

	Activity	Numbers
1.	Surveillance / checks	87
2.	Road/Rail Re-Weighments	07
3.	Quality checks	03
Total		97

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

Views and opinions published in this newsletter do not necessarily reflect the management's thinking and policy