

Initiatives in Preventive Vigilance



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Central Vigilance Commission



Foreword by the Commission

The importance of preventive vigilance had been recognized in the report of Santhanam Committee way back in 1964. The Santhanam Committee report stated "Corruption cannot be eliminated or even significantly reduced unless preventive measures are planned and implemented in a sustained and effective manner. Preventive action must include administrative, legal, social, economic and educative measures". On a review of the work of Chief Vigilance Officers in Central Government and the Public Sector organizations in 2015, the Commission felt that while there was considerable attention and emphasis on punitive vigilance, adequate attention was not being given to preventing misconducts. The Commission therefore, decided to adopt "Preventive vigilance as a tool for good governance". Further, to give an impetus to preventive vigilance requested the Chief Vigilance Officers to prepare a concept note on preventive vigilance including details of (a) potential areas of corruption and the adequacy of existing procedures and checks in place (b) the effectiveness of the prescribed inspections, audits reviews, other monitoring mechanism in place for preventing and detecting misconducts (c) prominent vigilance cases arising due to non compliance of rules / guidelines indicative of failure of preventive vigilance and major learnings thereof (d) existing preventive vigilance measures and (e) major system improvements proposed to be undertaken in future.

2. The thrust on preventive vigilance consolidated and strengthened the existing systems and processes and also led to some new initiatives and innovations. Concepts such as e-procurement, automation of service delivery, policy of rotation in sensitive posts etc are not new but their proper and effective implementation had to be ensured. This initiative has also led to many organizations revising their manuals and introducing standard operating procedures where one did not exist.

3. The Commission felt that the initiatives and innovations of various organizations need to be shared so that others also benefit from them. Therefore, the concept notes on preventive vigilance of twenty organizations have been compiled for the benefit of all. Confucius said "By three methods we may learn wisdom: First, by reflection, which is noblest; Second, by imitation, which is easiest; and third by experience, which is the bitterest." This compilation is intended to save us from becoming wise the bitterest way.

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Coal India Limited

A Maharatna Company
www.coalindia.in

Coal India Limited



1. **INTRODUCTION OF ORGANIZATION**

Coal India Limited (CIL) is a Maharatna PSU and is the single largest coal producer in the world. CIL is a holding company with 7 wholly owned coal producing subsidiaries and 1 mine planning and consultancy Company. CIL has unmatched strategic relevance and

- Produces around 84% of India's overall coal production
- Feeds 98 out of 101 coal based thermal power plants in India
- Supplies coal at prices discounted to international prices
- Insulates Indian coal consumers against price volatility

2. **AREAS PRONE TO CORRUPTION**

The following major areas of corruption were identified:

1. Procurement of all kinds including heavy equipment and service contracts
2. Pilferage and theft of coal
3. Measurement of coal stock & shortage
4. Quality of coal
5. Washeries and leasing of land
6. Labour Contracts including DGR security
7. Payment of Bills including those of contractors
8. Coal diversion/black marketing by consumers

3. **SYSTEMIC IMPROVEMENTS AND THEIR IMPACT**

3.1 **Action plan for preventive vigilance & system Improvement measures**

i. Procurement

- E-procurement: e-procurement implemented in CIL & Subsidiaries is used for procurement of goods, works, services as well as turn-key projects for more than Rs. 2 Lakh.
- Reverse Auction: Reverse auction was being done for selective procurement and extended to all procurement above Rs 1 cr at CIL and subsidiary HQ.
- On-Line Auto Refund of EMD: A facility for On-line Auto Refund of EMD to the unsuccessful bidders has been implemented.
- Updation of manuals: Civil engineering and contract management manuals updated recently. Purchase manual updation under process. General services & store manual are needed.
- Integrity Pact and IEMs since 2008.

- Standardization of NITs: Committee has been formed for standardization of NIT.
- Policy paper on different aspects of procurement eg. restriction on engagement of agent/ dealer/stockiest has been circulated.
- Policy for Centralized procurement of HEMM, depot agreement, procurement of major items of procurement like explosives etc in progress.
- Vendor feedback through annual as well as regular meetings by Departments.
- Transport, Coal & OB contracts: Action against cartel formation to be taken, Schedule of rates (SOR) to be worked out, for soft & hard OB, separate rates to be asked in NIT if separation is possible, OB Volume measurement by Total station and not by theodolite. Software to be used for calculation, Load cells to be installed on all dumpers & other coal carrying vehicles, For accurate lead measurement, scientific method to be used.
- For DGR Contracts, Agency appointed by DGR: Screening process to be improved, the monitoring mechanism laid down in MOU between DGR & Coal companies is to be tightened, DGR to play an effective role for greater monitoring of performance and activities.

ii. Coal theft/pilferage

- i. Security deployment needs to be strengthened through greater CISF and state industrial security force
- ii. Watch towers near coal dumps and railway sidings
- iii. Lighting of coal dump area and sidings
- iv. Access control to coal dumps and railway sidings
- v. Manning of entry/exit gates by CISF/SISF

IT system for preventing coal pilferage/theft

An **Integrated surveillance system** has been installed for surveillance in mine, railway sidings as well as during transit from mine to sidings to prevent coal theft or pilferage. It has helped in preventing coal theft of thousands of crores of rupees with a small investment. It uses a combination of large number of modern technologies:

- a) Vehicle Tracking System: GPS or GPRS instrument installed in all coal carrying vehicles throws alert for action in case of violation of prescribed route or stoppages en-route beyond specified period and for over-speeding.
- b) RFID with readers and boom barriers: A RFID based Weighment Management and Traffic Control Management installed at weigh bridges and entry/exit points identifies and verifies the Vehicle as well as ensuring weighment before exit from mines. The boom barriers open only after identifying the vehicles.
- c) Installation of CCTV: The objective is real time video recording of alerts

and notifications as well as identification of vehicles being weighed. The CCTVs have been installed at all vulnerable points like weigh bridges, railway sidings, coal stocks, entry/exit gates, material stores, explosive magazines.

- d) Weigh Bridge connectivity for Weight Tracking: The weigh bridges have been connected through a wide area network to the server to capture weights on real time basis. The weights taken at weigh bridges at mine and railway siding ends are compared in the system to identify shortages during transit and penalize the transport companies.
- e) Operator Independent Truck Dispatch System (OITDS): The System tracks movement of trucks as well as excavators inside mine through Global Positioning System (GPS). The on-board equipment with voice and data communication facilities and vital signs monitoring devices (VSMDs) help locate and guide the vehicles. OITDS has been implemented in 11 projects of SECL, MCL & NCL.
- f) In-motion Road Weigh bridges with RFID: on account of recognizing the low percentage of weightment of coal i.e. being internally transported and use of manual transit passes, a systemic improvement measure has been taken for installation of in-motion road Weigh Bridge with RFID in one of the subsidiary MCL. The data is captured in coal net for real time monitoring and analysis.
- g) Geo-fencing of mine boundaries: This is a virtual electronic boundary around active area of mine as well as along routes from mine to sidings within which vehicles are required to operate. As the vehicles are all monitored via GPS, should any vehicle cross the geo-fence boundary at any place other than designated entry and exit, data is captured in server via satellite and alerts are generated via email/sms as soon as it happens.
- h) PTZ (Pan, Tilt & Zoom) camera for mine or railway siding surveillance: Large number of such cameras have been installed for monitoring remotely through mobile or dashboard in order to keep a watch on 24x7 basis. It has helped in keeping a close watch on different processes in mines and railways sidings from the comfort of the office.

iii. Coal Stock Measurement & Shortage

- UAV with LIDAR to be used for coal dump measurement for greater accuracy and time savings.
- ETS with software to be used for measurement and Theodolite to be phased out. 3D TLS to be used in all major mines.

iv. Quality of coal

- Third party sampling and testing with Bomb calorimeter needs to be extended to e-Auction and non-power consumers.
- Quality of coal also deteriorates if it is kept in stock yards for long period, hence dispatch related difficulties need to be tackled.

- Installation of Auto samplers and auto/online analysers to be taken up.
 - Enhancement of washing capacity – 15 washeries are under progress.
 - Installation of Crushers required wherever it is not set up to ensure 100% crushed coal.
- v. Washerries & land
- A policy for use of washery reject may be formulated where Reject percentage to be fixed by expert agency. Rejects to be disposed by power utilities through transparent auction with justifiable reserve price.
 - Washery reject based govt power plants to be set up.
 - Policy for grant of land, use of railway sidings needs to be formulated.
- vi. Labour contracts
- Labour to be paid through bank
 - PF deposit to be monitored
 - Portal for contract labour to be used for verification
 - MOU with DGR to be tightened for better monitoring by them
- vii. Bill Payment related corruption
- On-line Bill Payment Status Tracking System: On the Coalnet, a module has been designed to monitor the on-line bill payment status. The dates of receipt of bills, passing of bills and final payment etc can be tracked.
- viii. Coal Diversion & Black-marketing by consumers
- Coal linkages for non-regulated sectors/CPPs being e-auctioned for proper price discovery and reduced incentive for diversion.
 - State nominated agencies to upload data in portal regarding the coal distributed by them to consumers.
 - Portal for coal usage by power consumers for ensuring supply against PPA needed.
 - Erstwhile non-core consumers may have separate window of auction or rate may be revised to average e-auction rate.
 - Monthly and Annual return and affidavit for end use by earstwhile non-core consumers to be countersigned by DICs.

3.2 System Improvement measures

Large number of system improvement measures have been taken and standardized across all companies to improve processes and increase transparency:

- i. **Operational efficiency, capturing and analysis of data**
- a) Coalnet: Coalnet is a customised ERP solution for Coal India capturing 13 different processes undertaken by the company like production, sales, material management, finance etc. The main objectives of CoalNet is catering to an integrated information requirement of Ministry, CIL and its

subsidiaries as well as standardisation of process, platform, technology and application across the corporate level of the Coal Industry.

- b) Online Grievance Management System: PG Portal of NIC for handling of Public Grievance has been adopted in CIL & Subsidiaries for online receipt of Public Grievance and redressal in a time bound manner. A Grievance Redress Committee has been formed at both CIL and subsidiary headquarter for reviewing the reply posted by the concerned department/subsidiaries of CIL.
- c) Document Digitization Management and Archival System (DDMA): A massive exercise to digitize 81 Lakh documents belonging to all departments at CIL has been undertaken along with standard Indexing format with Meta Data, along with provision for full security & access control features. CIL has started its journey towards paperless office along with the availability of archived files as a source of Knowledge Management initiative.

E-office: E-office has been implemented in CMPDI and its regional offices. The project to be extended to CIL and all its subsidiaries.

- d) Testing of explosives: As there is no proper testing onsite, supply of sub-standard product leads to poor fragmentation, effect on life of equipment, reduced productivity etc. After training, testing in major mines has been started through standard Dautrich method on consignment basis with improved penalty clause.
- e) Face Measurement through 3D Terrestrial Laser Scanner for coal and OB measurement: CMPDI & NCL have 3D TLS instruments. CMPDI uses these instruments for accurate face measurement in subsidiaries. Procurement of 3D TLS by subsidiaries under progress. Simultaneously Electronic Total station is to be used along with software so that manual process by use of theodolite is eliminated.
- f) Land management system: A module is under preparation for effective land management and redressal of grievances related with land acquisition and compensation.
- g) Project Monitoring System: A module developed in-house is being used for monitoring the milestones of mining projects implementation.
- h) ERP: A company wide ER project has been taken up and a consultant has been appointed. Teams have been formed to take the process forward.
- i) Use of UAV: UAVs have been used for mapping of green cover created in mines. They are further being proposed for use in coal stock measurement, illegal mining mapping, mine area mapping for planning, digitization of land maps and so on.
- j) Use of Space Technology: CIL has been using satellite surveillance based on high resolution satellite data for monitoring of mining activities for assessing the progressing status of mines, plantation and land reclamation

in 155 mines. This needs to be extended to all mines and also few kilometers beyond mines.

k) Laser wall technology for dump:

Laser wall technology is being tried on pilot basis for protection of coal dumps so that at the time of any unauthorized intrusion in mines, there is alarm and security agencies are able to take timely action.

l) Automatic Fuel Management System:

‘INTELLIGENT FUELLING MANAGEMENT’ for Stationary Fuelling, Mobile Fuelling (Bowser) and Underground and above ground fuel storage tanks on the principles of Automatic Identification of Vehicles, Accurate measurement of the fuel dispensed, Automatic recording of the fuelling data, Wireless data transfer from a remote location and Accurate reports for analysis is being tried in MCL and NCL.

m) Online Land Record Inventory Management System:

Inventory of digitized land records has been created. A web based application has been developed for editing, addition, deletion of record as well as generation of reports.

n) Monitoring of green cover created by companies:

A mobile App has been created to monitor the green cover created in different companies with pictures.

ii. **Employee integrity related**

a) Online property return in new Lokpal Format: Online filing has been introduced since 2014 which helps in analysis of data.

b) Online Vigilance clearance & Management System: It is a uniquely designed web-based online system to provide complete Vigilance Management suite for the CIL as well as subsidiary companies. The system captures progression of the CBI, Vigilance & other criminal cases for seamless monitoring. It has expedited & streamlined the process of generation of Vigilance Status and online transmission to designated authorities for taking expeditious decisions. It also generates useful reports including pendency at different stages for improved monitoring of Vigilance cases.

c) Mobile App for Vigilance & HR related activities:

A mobile App is being developed to facilitate online filing of complaint, viewing of vigilance status, APR filing status, HR related information like PAR status etc.

iii. **Finance Related**

• BG verification through SFMS platform:

The confirmation of Issuance of BG through SFMS from advising bank is being obtained through electronically as well as print out of the said message from advising bank with seal and signature.

3.3 **Impact of the systemic improvements**

i. Procurement

- The cycle time has been reduced from average of 180 days to 80 days.
- Savings in some procurement has been as high as 22%. In a single procurement of explosive, savings of Rs 648 cr was done.
- Presence of IEMs has helped in resolution of vendors' complaints.
- Because of capping of bid to estimate plus 10% in Civil and CMM contracts, huge savings has been effected.

ii. E-surveillance

- Savings of estimated Rupees 1096 crore annually directly.
- Geo-fence violations are steadily declining indicating further savings.
- The turn around time of coal carrying vehicles has improved vastly which has helped transporters and made them a willing partner in the entire exercise.
- Real time capture and analysis of weight.
- Action against erring vehicles.
- Entry of unauthorized tippers in mine area controlled.

iii. Measurement of coal & stock shortage

- Number of coal shortage cases have come down significantly.
- Coal stock measurement has become faster and accurate wherever improved system has been used.

iv. Quality of coal

- Complaints of Grade slippage has come down.
- Annual re-grading of mine has been done downgrading in several mines.

v. Washeries

- Draft Policy for usage of reject from washeries prepared by Ministry and stake holders being consulted.
- Policy for leasing of land and sidings needed.

vi. Labour contracts

- Portal for contract labour created for capturing details of payment, PF etc for better enforcement of labour laws and welfare measures.

vii. Bill Payment

- Online bill payment status has helped transparency and visibility to stake holders.

- HODs get reports to monitor delay in bill payment if any.
- Delay in bill payment has been reduced.

viii. Black marketing of coal

- Portal for state nomination agency has put data in public domain regarding distribution of coal by them.
- End use certification & affidavit has prevented diversion to some extent.

4. SUSTAINABILITY AND WAY FORWARD

Action plan was drawn for the identified areas of concern and implementation taken up systematically. The action taken is being reviewed in various meetings including review by CVO CIL, Chairman CIL, Joint Secretary, M/o Coal as well as Secretary, M/o Coal. Because of sustained monitoring of different preventive measures, there has been significant improvement in these areas. Strong feedback and evaluation systems as well as effective grievance redressal mechanism has helped in taking up continuous improvement programme.

The long term sustainability is being ensured through making changes system driven rather than individual driven so that the changes remain durable. The best practices are identified and standardized. These are implemented throughout the company with the help of line departments so that all stake holders are fully involved. Effort is always made for communicating the actions proposed to be taken so that a consensus is built. Major new ideas gets approved at Chairman, Secretary or Minister level for a clear policy direction.

Way forward: The initiatives started since implementation of the action plan need to be taken forward. We will continue to encourage and take forward IT initiatives for making the various internal processes more efficient, transparent and productive. Continuous evaluation of the impact of initiatives taken will be done to make further improvements. Additional measures required to be taken to strengthen the weak and vulnerable areas will be done through focus group discussion, system study and analysis of cases. It will take the company towards paperless office, ERP enabled operations, online interface with stakeholders, various processes to be system driven and so on. Implementation of action plan for ethical governance will be of high priority.

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Central Board of Excise and Customs



1. **INTRODUCTION OF THE ORGANISATION AND VIGILANCE MANAGEMENT**

• **Central Board of Excise and Customs (CBEC)**

The Central Board of Excise and Customs (CBEC) is primarily concerned with the levy and collection of Customs & Central Excise duties and Service Tax, administration and policy formulation pertinent thereto. Prevention of smuggling and anti-evasion activities comprises an important part of the working of the formations under CBEC. The CBEC is the administrative authority for its subordinate formations, including Directorates, Custom Houses, Central Excise, Service Tax Commissionerates and the Central Revenues Control Laboratory. It has a sanctioned strength of around 80,000 officers & staff with offices spanning the country. The CBEC is responsible for collection of taxes of around Rs.7 lakh crores (as per 2015-16 figures). Office of the Director General of Vigilance (DGoV) with its Zonal units comprises CBEC's internal vigilance mechanism. The Directorate General of Vigilance (DGoV), is inter alia responsible for coordination of matters with the Central Vigilance Commission and the Central Bureau of Investigation. The Directorate General of Vigilance is headed by Director General who is also the Chief Vigilance Officer of CBEC. The Head Quarters of Directorate General of Vigilance is located at New Delhi. 7 Zonal Units located at Delhi, Mumbai, Chennai, Kolkata, Ahmedabad, Hyderabad and Lucknow are headed by an officer of the rank of Pr.ADG/ADG. Each Zonal Unit is responsible for preventive vigilance activities, investigations and related matters under its jurisdiction. In addition, each Commissionerate/ Custom House has a Vigilance Section reporting to the Commissioner.

2. **AREAS PRONE TO CORRUPTION**

Based on the vigilance cases registered over the years, Vigilance Administration in CBEC has identified several areas as prone to corruption. These include:-

- Assessment and examination of import/export cargo
- Examination of passenger baggage
- Grant of Refund claims/ Rebate claims/ Export incentives
- Anti-Evasion, Preventive and Audit, Adjudication & disposal related activities
- Matters pertaining to Transfers and postings etc.

3. **SYSTEMIC IMPROVEMENTS AND THEIR IMPACT**

In order to make the system less vulnerable to corruption, CBEC has put in place detailed procedures and checks which act as a strong deterrent against corrupt practices by the officers & staff. An elaborate & effective complaint handling system is in place. A multi-layered system of inspections of field formations by Directorate General of Performance Management, Chief Commissioners, Commissioners and Additional/Joint Commissioners ensures strict compliance of instructions/guidelines. This is supplemented by the Vigilance Audits and Surprise Checks of field formations by the officers of DGoV. The DGoV also takes up system studies with a view to review, study and recommend areas sensitive to corruption and where procedures and practices are required to be overhauled in order to reduce the

scope of corruption. Automation of systems and innovations in information & communications technology have been adopted by CBEC as powerful and effective tools of preventive vigilance. Technology is increasingly being leveraged so as to provide certainty, uniformity and timeliness in assessment, in clearance of cargo and passengers on the Customs side, E-Filing & E-payment. The emphasis is on putting in place less intrusive but more efficient and effective systems. Various systemic improvements carried out are as follows:

3.1. System Improvements

A. Personnel related

(i) HR Measures :

- Well defined transfer & rotation policy which is strictly adhered to.
- Regular rotation of officers between sensitive & non-sensitive posts.
- Close liaison of Directorate General of Vigilance with Directorate General of Human Resource Development in personnel management.
- Maintenance & sharing of Agreed/ODI Lists by Directorate General of Vigilance with Directorate General of Human Resource Development & Field formations.
- Training & Sensitization of officers on vigilance and related matters.
- Soft skill training for officers so as to sensitize them.
- Digitization of APARs so as to have the data of officers readily available to take informed decisions regarding the placement & promotions.
- Uploading of IPRs to promote transparency.
- Cadre-restructuring- Creation of new formations to strengthen the monitoring mechanism and improve accessibility to the tax payers.

(ii) Inspection:

- Regular inspection of field formations is carried out through the Directorate General of Performance Management.
- In addition, senior officers inspect subordinate formations.
- Observations are communicated and follow up action monitored for rectification and improvement which are reviewed during the next inspection.
- Surprise Checks, Vigilance Audits and System Studies by DGoV are being utilized as an effective tool of Preventive Vigilance.

(iii) Grievance redressal and tax payer awareness:

- The CBEC has adopted a Citizen Charter which elaborates service delivery standards. Adherence to the same is monitored in all Commissionerates/Custom Houses.

- Many field formations under CBEC are ISO certified and such certification of 'Sevottam' granted by BIS is an ongoing process for all offices.
- Public Grievance Committees & Regional Advisory Committees comprising senior representatives of trade and senior officers of the Department meet at regular intervals. This is an important forum for feedback and grievance redressal.
- The CBEC has a Face Book page and Twitter handle and regularly informs the public of latest developments in the relevant field.
 - The CBEC has set up E-Helplines to address issues related to the daily transaction of business in Customs, Excise & Service Tax.
 - 3.5 lakh phone calls/ 1.25 lakh e-mails were received during the calendar year 2015.
 - 80 % resolution of the issues within 24 hours.
 - 98% resolution in 48 hours and 99.75% resolution in 72 hours.
 - Publicity of grievance redressal mechanism- display of 'Citizen's Charter', particulars of the authorities for making complaints, etc. Booklets, pamphlets, etc are printed on various subjects for educating the citizens. CBEC's website is an important tool for tax payers and modifications/improvements in procedures are immediately placed on CBEC website. It is complemented by the outreach campaigns of Directorate General of Tax Payers' Services, CBEC.
 - A Perception Survey was undertaken recently in conjunction with FICCI. Results of the survey conducted by the KPMG are being analysed to bring in attitudinal and procedural changes in working of the department.

3.2 Initiatives in systems & procedures including Leveraging technology

The CBEC has also taken major initiatives for automation in all the areas of the working viz. Customs, Central Excise, Service Tax and passenger clearance. These initiatives are meant to reduce human interface and exercise of discretion & promote accountability, transparency, certainty & timeliness in assessment and clearance of cargo and facilitation of passengers.

(i) Customs:

Cargo: Major initiatives have been taken to move from a gatekeeper role to that of a facilitator by introducing a Risk Management System (RMS) so as to obviate physical inspection/examination of nearly 62% of import cargo and 75% of export cargo. This is supplemented by replacement of the system of concurrent audit to that of the post-clearance audit, including on-site post-clearance audit, complemented by programmes such as Authorised Economic Operators (AEO). The resultant reduction in human interface, arbitrariness and delays in the

clearance of goods itself lowers the vulnerability of the process to exploitation for personal gains by officers/staff & trade as well.

Installation of Fixed Container Scanner at Chennai Port: Fixed container scanner is non-intrusive inspection system of container installed in Chennai Sea port for scanning import containers. It was recently inaugurated and made operational on 16/09/2016.

The installation of Fixed container scanner is a major step towards trade facilitation in the longer run. The containers scanned and marked clean need not be subjected to open examination at the Container Freight Stations thereby ensuring seamless clearance of containers and reducing the dwell time between the port and the factory gate.

Apart from facilitating the trade, Fixed container scanner helps the Indian Customs towards revenue mobilization by detecting cases of misdeclaration of cargo. In the cause of National security and border protection, fixed container scanner is capable of detection of contraband like arms and ammunition, drugs, explosives, radioactive substances, ozone depleting substances like R-22 gas cylinders. As regards Preventive Vigilance, it has a considerable impact by way of reduction of human interface by eliminating the need to open, de stuff & examine the containers. This has been a frequent source of complaints & vigilance action.

Certain E-Governance initiatives and their impact are as follows:

a. ICEGATE (Indian Customs EDI Gatewa):

- 24x7 e-filing, e-payment, Message Exchange, Help line
- Time Stamp to monitor dwell time
- Accountability by way permanent record of events in the clearance of cargo.
- Lowered dwell time
- Reduction of transaction costs

b. Indian Customs EDI System:

- Workflow based application,
- Online Assessment, Examination Report
- E-credit of drawback amount
- Online interaction with DGFT for verification of Shipping Bills
- 24x7 clearance of cargo at select locations

c. Single Window Interface for Facilitating Trade (SWIFT):

A major initiative, the Single Window Interface for Facilitating Trade (SWIFT) provides a single-point interface for clearance and has reduced documentation

and transaction costs. Its reach and benefits cover 97 per cent of India's imports. It promotes the ease of doing business as it connects over 50 offices of six government agencies with the Indian customs department.

Passenger Clearance:

- Advanced Passenger Information System: Passenger profiling is done to target the offenders while facilitating the genuine passengers (99% passengers walk through green channel).
- CCTVs are installed in Passenger clearance areas to monitor the activities of officers
- The Customs administration at 13 major international airports have Face Book pages for better outreach & feedback from passengers/stakeholders & public.
- Mobile App with all relevant information for international travelers so that they are well informed and less vulnerable for exploitation.

(ii) Central Excise & Service Tax:

As regards Central Excise & Service Tax, IT module namely, ACES provides online filing of registration application, instant PAN validation from I-Tax Department, periodic returns, CE and ST Tax payment through 27 banks, online filing of CE and ST Refund claims, Provisional assessment applications, electronic filing of CE Export-related documents, Surrender application of CE and ST Registration etc. CBEC has also provided a multi-media based online self-learning tutorial for learning to use ACES. Further, User Manuals, FAQs and Brochures have also been hosted on ACES website for the users.

With an aim to providing services to taxpayers who may not have requisite IT infrastructure/resources, to use ACES, CBEC has entered into MoUs with Institute of Chartered Accountants of India (ICAI), the Institute of Cost and Works Accountants of India (ICWAI) and the Institute of Company Secretaries of India (ICSI) for setting of ACES Certified Facilitation Centers (CFCs) by their Members, on payment of prescribed service charges .

(iii) E-Governance initiatives/Best practices by CBEC & its field formations:

Apart from the Department's initiatives, the individual subordinate field formations have also put in place certain best practices at local level to promote transparency, efficiency in service delivery and to make the system less vulnerable for manipulation and corruption. Few of such initiatives are given as below :

A. Cargo clearance:

To ensure faster movement of Cargo with less human interference, following steps were taken by CBEC:

1. **Single Window Interface for Facilitating Trader:** As part of the ease of doing business initiatives, the Central Board of Excise and

Customs, Government of India has taken up implementation of the Single Window Project to facilitate the trading across borders in India.

The Indian Customs single window would allow importers and exporters, the facility to launch their clearance documents online at single point only.

2. **Automation of Bonded Warehouse and Online Tracking of Unclaimed Cargo in Chennai:** The details of all the goods lying in the warehouse of the Chennai Customs were accounted using Manual Registers, involving goods of high revenue. Various forms were filled for inbond, exbond movement permissions and transfers. The whole process has been now automated. The goods, which have crossed the time limits, auto notices are issued to the importers without any delay. The whole process has been made transparent and no harassment can be caused to any importer. The further idea of CBEC is to replicate the same across all the major Customs Station.
3. **Container Digital Exchange (CODEX) (TUTICORIN):** CODEX has been developed by the Tuticorin Port in consultation and participation of representatives of the container stakeholders functioning there including CFS, Port Terminal Operator, Port Authority, Security Agencies, Customs House Agents, Importers, Exporters and Indian Customs. This platform enables seamless movement of containers from the Container depot to the ports and vice versa. It captures the timings starting from time taken to stuff the cargo till the container reaches the port. The whole movement is tracked. The container contains a Bar Code which carries all the information, which is made available to the stakeholders, who can access the information through web and get the real time information about the Container and Cargo.

B. Passenger facilitation:

Passenger experience at International Airports, more often than not, creates first impression of the Country's image in the minds of travelers, which leaves lasting imprints. Keeping in view of the same, following initiatives were taken by CBEC:

1. **Indian Customs Travelers Guide App:** It is not possible for each and every person coming at International Airport to be aware of Customs Act, Rules and Regulations. Therefore, this application has been developed to provide all the details required by the passenger. This app leads to empowering the people and making them aware of the rules and procedures. The app has also a link for CPGRAMS where any type of complaint can be lodged, which will be redressed in a time bound manner.
2. **Airport Passenger Satisfaction Survey (MUMBAI):** With a view to improve the working of Airport Customs, a Survey was conducted at Mumbai International Airport. The study revealed the expectations of the people

landing at the airport and their grievances from Indian Customs, which are to be taken care of at all the International Airports making ease at Airport Clearances.

C. **Taxpayer's services:**

CBEC has also taken various initiatives to provide hassle free services to its stake holders, few of them are detailed below:

1. **Taxpayers Survey:** The CBEC had requested FICCI to conduct a tax payers' experience survey with the objective of garnering a feedback on impact that reforms undertaken during the last two years had on the ground. FICCI outsourced the survey to KPMG and they jointly reached out to 40000-45000 potential respondents across India.
2. **Rebate Facilitation Software (RAIGAD):** With this Software there is no need to the Assessee to come to the Office of Central excise for collecting the Cheques of Rebate. This application in a time bound manner i.e. within 90 days of filing the Rebate Claim, transmits directly to the assessee accounts through RTGS/NEFT/ECS mode. Thus it has reduced the manual intervention and promoted accuracy.
3. **SMS Initiation during Appeals (NAGPUR):** The Commissioner Appeals, Nagpur has started a system of sending the acknowledgement of receipt of appeal, dates of hearing, postponement of personal hearing and issuance of Final Order through SMS to the Applicant. Therefore, there is no need for the applicant to visit Office and enquire about the status of his case. Further, this process has made the whole functioning transparent as well as accountable.
4. **E-Sampark (KAKINADA):** The Kakinada Commissionerate has started a project called E-Sampark, wherein the officers as well as Staff have started communicating over SMS as well as emails. The Commissionerate is using Bulk SMS Services and email to send time to time information and any update to the assessee for their information.

4. **SUSTAINABILITY AND WAY FORWARD**

In its endeavour to promote ease of doing business coupled with accountability in public life, CBEC is constantly improving the systems and procedures with an optimal usage of Information Technology. Over the years, a series of e-Governance initiatives were rolled out which led to a drastic reduction in the human interface there by facilitating the trade and thereby reducing opportunities for corruption significantly.

Directorate General of Vigilance, CBEC has also taken up studies for system improvement in various sensitive formations. Topics of study cover diverse areas under Customs, Central Excise & Service Tax formations. The reports of these system studies are examined for sharing with the action owners for systemic improvements.

Latest initiatives such as Single Window Interface for Facilitating Trade (SWIFT),

Document Management System for safe keeping of essential documents, Promoting use of Digital Signatures are being implemented and would be further strengthened to promote digital India, ease of doing business along with promotion of accountability.

The CBEC is also developing a Human Resource Management System with end to end solution for holistic data of officers/staff for effective HR management

The CBEC is gearing up for the implementation of GST through development of robust IT network which would further reduce the interface between the officers & trade as well as captures all the transactions of the trade which is expected to improve tax compliance at the same time reduce opportunities for corruption significantly.

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Indian Railways

1.0 **INTRODUCTION OF THE ORGANISATION**

1.1 **Overview**

Indian Railways provide rail transport services across the length and breadth of the country encompassing 66000 Route Kilometers. The scale of services provided by Indian Railways (IR) can be gauged from the fact that IR, on an average, operates 22,300 trains per day including 13,000 passenger carrying trains and carries 3.03 million tons of freight loading per day whereas the number of originating passengers per day is 22.1 million. IR has distinguished track record of operating 24x7 working for 163 years. Currently, around 13.3 lakh employees are working on Indian Railways.

1.2 **Vigilance Management**

At the apex level, the Vigilance Directorate headed by Adviser (Vigilance) functions directly under the Chairman, Railway Board and also reports to the Central Vigilance Commission in matters which are under the jurisdiction of the Commission. At the field level, all Railway Zones and Production Units are headed by Senior Deputy General Managers/Chief Vigilance Officers. The total strength of Vigilance set-up in the Ministry of Railways is 1265 including 195 officers.

2.0 **AREAS PRONE TO CORRUPTION**

Railway being an organization to provide public utility services operates in areas which are potentially vulnerable from vigilance perspective. Some of the areas, particularly susceptible to vigilance related complaints and grievances are as under:

- **Areas of Mass contact:** These include reservation offices, ticket booking counters, luggage/parcel and goods booking offices, on-board passenger services, etc.
- **Procurement of material:** Areas in respect of reasonability of price and inventory management are of specific importance.
- **Huge volume of Works tenders and contracts :** In addition to tender finalization related issues, quality of works is of paramount importance.
- **Disposal of Scrap:** This area includes wide array of activities starting from receipt and accounting of scrap material to the delivery of sold material.
- **Loading of Freight Wagons and Parcel Vans:** This being an important commercial activity involving interface of staff with customers needs special attention.
- **Recruitments:** Indian Railways, being the biggest recruiter in government sector, encounters many challenges in respect of transparency, fairness and objectivity.

3.0 **SYSTEMIC IMPROVEMENTS AND THEIR IMPACT**

The objective of the department is to plug the loopholes in the system and to take effective systemic measures to prevent occurrence of corruption related incidences. With this view in mind, there has been special emphasis on reduction of human intervention by bringing in technological advancements and proliferation of Information Technology based applications.

3.1 Preventing manipulation in ticketing/reservation

Several changes in rules/systems have been made in recent times to curb manipulations in reservations by unauthorized persons and touts. These include:

- Restriction on pre-feeding travel details
- Restrictions on modifications in ticket details
- Mandatory to carry valid Identification Proof during journey
- SMS ticketing and “Get SMS” facility
- Mobile numbers on Electronic Reservation Slip (ERS) tickets to identify illegal tickets
- More stringent cancellation policy introduced
- Bar coding and Hand Held Terminals initiated

3.2 E-procurement

Successful implementation of e-procurement for supply contracts to improve transparency has almost eliminated complaints related to tender opening and has considerably reduced tender settlement time. All the e-tenders are placed on the public domain through website www.ireps.gov.in and are also mirrored with the e-procurement portal of NIC thereby providing equal opportunity to vendors at a wider platform.

Impact

- 2.85 lakh e-tenders with published value of around Rs.44 thousand crore handled in 2015-16 providing end-to-end solution
- Substantial time reduction in finalizing Open Tenders

3.3 E-Auctions

E-Auction module has been implemented to introduce greater transparency in sale of scrap material enabling the bidders to bid for the scrap lots in different parts of the country thereby eliminating involvement of cartels and local mafia by globalizing the entire process.

Impact

28,347 lots of scrap valuing Rs.2,388 crore has been sold through e-auctions in 2015-16.

3.4 E-tendering of Works contract

E-Tendering in respect of Works contracts has been started during 2015-16. Around 5800 Works Tenders on e-tendering platform have been initiated since February 2016.

3.5 Recruitment

Towards enhancing the objectivity, transparency and credibility of the recruitment process, Railway Recruitment Boards (RRBs) have introduced IT based recruitment

system which marks a paradigm shift with an endeavour to bring examination at candidates' doorstep. This is reflected in the six fold increase in the number of cities for conducting examination (now over three hundred) which are spread over to remote areas such as Northeast region, Andaman & Nicobar Island, Kashmir Valley, etc. This has also facilitated in handling largest ever volume whereby 91.20 lakh admit cards have been issued and, in addition, prevented many possible corruption related activities at different stages of the examination process. Salient features of E-recruitment initiatives are briefly listed as under:

Pre Examination stage

- Examination date published on vacancy notification
- Assured and error free submission of applications
- SMS/E-mail alerts to candidates at every stage
- Multiple modes of fee payment
- Mock Test before actual examination
- Google map links on the Admit Cards

During Examination

- Biometric attendance along with Photo-capture
- Facility for review and modification of responses
- Navigator panel provided on the computer screen
- Green initiative-saving 310 crore sheets of paper, i.e., approximately 4 lakh trees

Post Examination

- Uploading of Question papers, candidates' responses and Answer keys
- Opportunity to raise objections regarding correctness of Questions/Answer keys
- Disclosure of all relevant information in public domain

Impact

This initiative has brought qualitative improvement in the entire examination process making it more efficient and transparent. It has also resulted in better grievance handling at different stages and would have also enhanced the credibility of the process amongst unemployed youth.

3.6 Other Initiatives

Fast proliferation of CCTVs in reservation and ticketing areas has proved very effective in detecting collusion of staff in respect of irregular activities. Similarly, use of Radio Frequency Identification Device (RFID) in parcels is expected to considerably reduce malpractices in parcel management.

Focussed awareness programmes to sensitize the concerned dealing staff has been

given greater impetus during recent years. These involve conduct of a seminar on management of service contracts, vigilance awareness camps at stations and other field offices, etc.

4.0 SUSTAINABILITY AND WAY FORWARD

These initiatives taken in the area of preventive vigilance have received wide acceptability by all concerned which makes them sustainable in the long run with, of course, further refinement as and when when required. Two pronged strategy has been adopted to make further progress in the area of preventive vigilance –

- Proliferation of IT based applications to further reduce human interface; and
- Simplification of procedures to plug discretion.

There have been encouraging results on response feedback mechanism introduced along with the use of social media which has broadened our endeavour to reach out to stakeholders. This shall be continued.

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डेडीकेटेड फ्रेट कोरीडोर

**Dedicated Freight Corridor
Corporation of India Limited**

1. **INTRODUCTION OF THE ORGANIZATION**

Dedicated Freight Corridor Corporation of India Limited (DFCCIL) is a Special Purpose Vehicle set up in 2006 under the administrative control of Ministry of Railway to undertake planning & development, mobilization of financial resources and construction, maintenance and operation of Dedicated Freight Corridors. In the first phase, DFCCIL will be constructing two corridors – the Western DFC and Eastern DFC – spanning a total length of about 3300 route km. The Eastern Corridor, starting from Ludhiana in Punjab will terminate at Dankuni in West Bengal (funded by World Bank) while the Western Corridor will traverse from Dadri to Mumbai (funded by Japan). The procurement of works at DFCCIL is being carried out through design and build lump sum contracts which have been taken up to the first time in Railway Projects in India. The latest revised estimated cost of Eastern DFC & Western DFC is about INR 81,459 Crores.

Dedicated Freight Corridors are proposed to adopt world class and state-of-the-art technology. Significant improvement is proposed to be made in the existing carrying capacity by modifying basic design features. The permanent way will be constructed with significantly higher design features that will enable it to withstand heavier loads at higher speeds. Simultaneously, in order to optimize productive use of the right of way, dimensions of the rolling stock are proposed to be enlarged. Both these improvements will allow longer and heavier trains to ply on the Dedicated Freight Corridors.

DFCCIL is a new organization and contracts for approximately 2188 km (Worth Rs 45,000 Crores) have already been awarded and tenders for balance are at different stage of finalization. The execution of work on both the corridors is in full swing and there is need to expand awareness on various issues pertaining to integrity, transparency and comprehensive vigilance.

2. **AREAS PRONE TO CORRUPTION**

- (i) Land acquisition – Valuation of land/private structure/trees/crops etc.
- (ii) Timely payment of compensation to PAPs
- (iii) Procurement - Tweaking of bid conditions to favor party
 - Packaging/Phasing of contracts
 - Restrictive/favorable bid conditions
 - Discretion in award of tenders
- (iv) Project Management Consultancy (PMC) - Credentials of various Professionals/connivance with contractor, Nepotism in hiring of personnel/ not doing proper supervision
- (v) Execution - Quality of works/Services
 - Slackness in enforcing of quality
 - Change of conditions without sufficient reasons
 - Delay in payments

- Over payments
 - Disallowing genuine payments on flimsy grounds
 - Undue harassment of contracting agencies
 - Raising bills without doing work
- (vi) Project offices – Delay in decision making
- (vii) Grievance redressal mechanism – PAPs, Contractors, Employees
- (viii) Inadequacy in contract condition
- (ix) No audit of PMC
- (x) Interest free advance in mobilization of resources to PMC & contractors

3. **SYSTEMIC IMPROVEMENTS AND THEIR IMPACT**

(a) Adequacy of existing procedures and checks in DFCCIL

Most of the contracts in DFCCIL are design & build contracts and are funded by World Bank /JICA which are governed by FIDIC Conditions. The complete procedure in awarding of contracts from preparation of bid documents to Pre Qualification & up to signing of contracts is approved by funding agency. A well defined procedure in selection of contractor is available in Works Manual of DFCCIL thereby having adequate defined procedure & check in place in awarding of contracts. The contracts are being executed as per the laid down requirements and conditions of contract agreements.

In order to ensure that above mentioned areas as elaborated at item (a) are checked, following measures are in place –

- (i) System of test checks, over and above checks of PMC, by DFCCIL officials is in place.
- (ii) Elaborate eligibility criteria for tenders have been laid out to avoid any discretion.
- (iii) Most of the portion of DFC is funded by World Bank/JICA. Various tenders' papers are scrutinized by GC, Technical Evaluation Committee/Directors' Appreciation Committee of DFCCIL before approval of competent authority. These recommendations are also gone through by World bank/JICA. The tenders are awarded after No-Objection from World bank/JICA. Hence tenders are scrutinized by independent Agencies.
- (iv) Timelines have been given for releasing the payments to the contractor.

In addition to the **Works manual**, few more manuals are in place in DFCCIL such as **HR manual, Vigilance Manual, Manual of office procedure, Finance reporting manual, Accounting manual.**

(b) Effectiveness of the prescribed inspections, audits, review etc., monitoring mechanism and other measures are already in place for detecting frauds.

In order to keep a check on the potential areas of corruption, delay, nepotism etc there exist audit and internal control procedures which are generally adequate and commensurate with the size of the company and nature of its business.

The company has internal systems and processes in place, which ensures the execution of operation more orderly, ethically, economically, efficiently and effectively, which is adequate and commensurate with the size of company. However internal control being the ongoing process, the management is committed towards its continuous improvements. In order to ensure that, all the required internal control systems and processes are in place and are operating effectively and to assess the shortcomings in the existing internal control systems and procedures, steps that have to be taken to strengthen the internal systems and processes. Accordingly, Audit Committee has approved to conduct a study on the adequacy of Internal Control Systems in the company.

The company has a system of getting **internal audit** conducted by external firm of Chartered Accountants, scope of which has been decided keeping in view the size and nature of business/operations of the Company.

The Accounts of the Company are audited by **Statutory Auditors appointed by the C&AG of India**, who submits its report to the members of the company. The Accounts of the Company are also subjected to the Supplementary Audit conducted separately by the C&AG of India.

In addition to above, the C&AG of India also conduct the transaction audit covering the transactions entered into by the Company.

The **Audit Committee of the Board of Directors** reviews the reports of the Internal Auditor, comments of the Statutory Auditor and the Comptroller and Auditor General of India. The Management reviews the findings and recommendations of the auditors, takes corrective actions wherever necessary, and monitors the implementation of the recommendations.

In addition to above, the Risk Management Framework is also being implemented in the organization which will be an additional tool for Internal Control & Audit of the activities being undertaken.

(c) **Systemic Improvements**

Preventive vigilance is still one of the effective tools to monitor the integrity and moral health of any organization and to report back the feedbacks to the management to plug loop holes and make the system more fool-proof.

The preventive vigilance is rather more effective than punitive and detective vigilance. Any vigilance wing of organization must, therefore, lay total stress on prevention rather than cure. Therefore vigilance wing must lay total stress on prevention rather than cure. In order to curb the corruption and malpractices, it is better to have good management strategies. Vigilance wing must therefore identify the **hard core elements and major corruption prone area** and concentrate their action on them. The impact of such measures would be far greater if a small but selective number of cases of hard core elements are dealt

with effectively rather than starting numerous cases without yielding any results in the end.

Preventive checks in the field of quality in construction of DFCCIL, CTE type inspection, selection of consultants, project management consultancy contracts and maintenance of DFCCIL accounts inclusive of surprise checks in field units are being conducted by DFC vigilance regularly.

As results of preventive checks conducted in the different aspects by DFC vigilance, the following system improvements have been implemented as recommended by vigilance-

- **Finance Issues:**

- (i) Additional safety measures for payments from SLAO land bank account must be taken up by exploring the possibility of making payments through EFT/RTGS and activation of SMS alert of each transaction.
- (ii) Provision of obtaining bank statement through e-mail on daily basis and its reconciliation on daily basis with the cheques issued by SLAO.
- (iii) Team of officers from HQ finance & one representative from field units may be formed to conduct a thorough study of the system of land payments and make recommendation for improvements in existing system with special emphasis on checks to detect frauds before they could be committed.
- (iv) Conduct properly monthly bank reconciliation of each land bank account and its monitoring at HQ level.
- (v) A detailed and comprehensive audit of all the land accounts should be conducted and regular audit thereafter.
- (vi) Inspection of land accounts by the corporate finance on regular basis should be conducted.
- (vii) To have establish transparent procedure on investment of funds
- (viii) Penalty clause should be included in future contracts of maintenance of accounts of DFCCIL.
- (ix) Adequate staff should be provided in pay roll section to avoid grievances of staff.
- (x) Concrete instructions should be laid in JPO for updating date of annual increment in system.
- (xi) FSC should be prepared and paid annually within 15 days from the end of each financial year.

- **HR issues:**

- (i) There should be provision in man power service providing

contract that upper age limit of outsourced staff deployed by the agency in DFCCIL shall not exceed 65 years. Whenever any outsourced staff attains the age of 65 years, he shall be suitably replaced.

- (ii) A policy for compensation/Ex-gratia payment to the family of deceased official in case of accidental death on duty should be framed.
 - (iii) In case of advertisement released for selection of consultants from open market, the essential educational qualification should be closely relevant to the core subject matter.
 - (iv) Post qualification experience should be crisp and specific to job requirement and candidate should be in position to furnish necessary testimonials/certificates on the specific subject matter dealt with by them.
 - (v) A system of stringent document verification should be ensured in respect of essential educational qualifications and post qualification experience accordingly.
 - (vi) The difference in the upper and lower age limits should be reasonable enough to differentiate as to whether the advertisement intends to select fresh candidates or retired employees.
- **Administration issues:**
 - (i) There should be a clause in contract agreement of vehicle that it will be responsibility of DFCCIL official to ensure that contractor has provided commercial vehicle as per terms & conditions and ensure that agency has submitted the police verification of all drivers within six months after awarding of contracts.
 - **Engineering Issues:**
 - (i) Hardness & Transverse testing of Flash Butt Welding should be witnessed by Engineer/PMC.
 - (ii) Test Check of hardness & transverse testing should be done by Employer (DFCCIL) as per provision of Works manual.
 - (iii) The guidelines for the activities being carried out by DFCCIL field units in land acquisition should be issued by DFCCIL Corporate office.
 - (iv) For selection of key personnel like Track design expert, Track construction expert, Electrical expert (OHE), Electrical expert (Traction supply), Signal construction expert, Telecom construction expert etc, the minimum length of professional experience has been prescribed as 10 years both for degree & Diploma holder while it should not be equal for both. The same to be rectified in future contracts.

- (v) Test checks to be carried out by DFCCIL official on quality aspects as per works manual.
- (vi) Certificate of test check endorsed on IPC by Deputy Team Leader, Team Leader of PMC and DFCCIL officials is not sufficient; rather test check should also be endorsed on RFIs.
- (vii) Name of the official conducting test checks should be written under his signature along with designation.
- (viii) In running contracts, the quality of ballast shall be ensured through conducting required test on ballast before laying on bed. CPMs as well as PMC have to enforce quality and grading test before spreading.
- (ix) In future contracts, wherever the payment provision has been made on supply of ballast, the stacking may be enforced.

4. **SUSTAINABILITY AND WAY FORWARD**

Although DFCCIL is a new organization however it has succeeded in awarding contracts for approximate 2188 km out of 2822 km (excluding 538 km under PPP) worth Rs 45,000 Crores and tender for remaining areas are at different stages of finalization. The works on both the corridor are being executed in full swing. Funding agencies are regularly supervising the project and senior officers of DFCCIL are also paying visits. DFCCIL is having at present a number of manuals and policies such as **Works manual, HR manual, Vigilance Manual, Manual of office procedure, Finance reporting manual, Accounting manual, and Fraud prevention & detection policy, complaint handling policy & WHISTLE BLOWER POLICY of DFCCIL**. However there is a continuous scope of improvements in laid down procedures and checks in DFCCIL being a new PSU and also in developing phase. DFC Vigilance is regularly conducting the preventive checks covering most of the areas of DFCCIL and suggesting system improvement and there is need to also focus on the following areas as given below –

- (i) More quality checks are required to be conducted by DFCCIL officials.
- (ii) Regular field visit/inspections by higher officers and more supervision on PMC.
- (iii) There is need of decentralization of powers such as payment of salary, LTC etc to field units.
- (iv) Permanent IT experts should be available at every field unit.
- (v) There should be in-house design cell with DFCCIL.
- (vi) Regular third party checks on the quality of works.
- (vii) Audit of PMC by internal auditor/CAG.
- (viii) Review of interest free mobilization advance to PMC and Contractors.
- (ix) Need of having penalty provision in the PMC contracts.

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Hindustan Petroleum Corporation Limited

VIGITHON

शान्ति का आधार अस्त्र बल
भारत डायनामिक्स लिमिटेड Bharat Dynamics Li
(पारत सत्कार का प्रथम, रक्षा मंत्रालय A Govt. of India Enterprise, Ministry of De
अमरावती इकाई Amravati Unit
Welcomes
श्रीमती प्रतिभा देवीसिंह पाटील
भारत की राष्ट्रपति
का कबी इकाई के शिलान्यास के अवसर पर हार्दिक स्वागत करता है
THE FORCE BEHIND
President of I
laying the Foundation Stone

1. **INTRODUCTION OF THE ORGANISATION**

Hindustan Petroleum Corporation Limited (HPCL) is a Public Sector, Schedule 'A' company with Navratna status and was formed on July 15, 1974. It is under the administrative control of Ministry of Petroleum and Natural Gas with 51.11% shareholding by the Government of India. HPCL enjoys over 21% marketing share in India as of March 2016 (PSU category) and has a strong presence in Refining & Marketing in the country with Annual Gross sales of Rs. 1,97,744 crores during Financial year 2015-16. HPCL is also a Fortune Global 500 Company with a ranking of 327 and Platts Top 250 Global Energy Company with a ranking of 133. HPCL is engaged in refining, marketing and transportation of petroleum products with presence in Natural Gas Business, Renewables and Exploration and Production of Hydrocarbons. HPCL owns and operates 2 (Two) refineries, one in Mumbai (West Coast) of 6.5 Million Metric Tonnes Per Annum (MMTPA) capacity and the other in Vishakapatnam (East Coast), with a capacity of 8.3 MMTPA. In addition, HPCL has set up a 9 MMTPA JV refinery at Bathinda, in the state of Punjab (jointly with Mittal Energy Investment Pvt. Ltd.). HPCL also owns the largest Lube Refinery in the country at Mumbai for producing Lube Oil Base Stocks with a capacity of 428 MMTPA. The customer touch points constitute of 13871 Retail Outlets, 4306 LPG Distributorships, 1638 SKO/LDO dealers, 230 CNG outlets and 97 Commissioning & Forwarding Agents. HPCL has the second largest share of product pipelines in India with a total pipeline network of 3016 KM.

2. **AREAS PRONE TO CORRUPTION**

The potential areas of corruption and malpractices as emanating from Vigilance findings/inspections, complaint investigation etc. are as follows:

- Tampering of dispensing units at Retail outlets by use of external fittings
 - Manipulation of totalizer readings
 - Unauthorized fittings on pulsar card
 - Manipulation of data and records
- Pilferage of products
 - Excess Filling of Tank Trucks
 - Enroute product pilferage
 - Stock manipulation at location
- Irregularities in procurement process
 - Changes in scope post bid opening or during work execution
 - Restrictive qualification criteria
 - Selection of vendors for limited tenders
- Lack of awareness on contractual terms and conditions
 - Usage of unapproved make / material during execution
 - LD not invoked in spite of delay in execution
 - Site records not maintained properly

- Irregularities in retail outlet dealership/LPG distributorship selection process
 - Misinterpretation of guidelines
 - Acceptance of land outside advertised stretch
 - Allegations of general misuse of power
- Extension of unauthorized credit to customers
 - Extension of credit beyond approval limits
 - Extension of credit without valid Bank Guarantee
- Financial irregularities
 - Intentional delayed payments
 - Unauthorized Discounts
 - Misappropriation of Cash
 - Password sharing

3. **SYSTEMIC IMPROVEMENTS AND THEIR IMPACT**

The various systemic improvements undertaken by the corporation to address the aforementioned problem areas and their impact on business processes are as under:

- Ensuring Q&Q in delivery of services to customers through implementation of retail outlet automation and installation of tamper proof dispensing units
 - In order to address the issues / complaints pertaining to short delivery / stock manipulations at Retail Outlet and to maximize customer satisfaction and transparency in operations, phase wise implementation of Retail Outlet automation is being undertaken. As of now, 3213 Nos. of outlets in HPCL have been automated.
 - To address issues of short delivery at outlets by tampering of dispensing unit components / use of unauthorized fittings and to ensure enhanced accountability on part of dispensing unit OEM vendors, modified specifications of dispensing units and penal clause for tampering of sealed units has been incorporated in the terms and conditions of tender floated for procurement of new dispensing units.
- Extensive preventive measures against product pilferage at all stages of product handling using state of art technology
 - To address issues pertaining to enroute pilferage of products vide route diversions, unauthorized stoppages etc., Vehicle Tracking System (VTS) has been implemented. Out of 9100 Tank Trucks (TTs) in HPCL under transportation contract, Vehicle tracking system (VTS) has been fitted on 8900 TTs. VTS enables real time tracking mechanism of all TTs and has online interface with ERP platform for data integration.
 - Implementation of new generation tank truck locking system: To address the potential tampering issues in the current conventional Tank Truck Locking System involving mechanical locks, HPCL on pilot basis, has

implemented a new generation electromechanical locking system which would deter tampering as well as provide alerts, proofs and actionable intelligence in case of unauthorized access and attempts to tampering.

- Effective logistics management / ensuring operational effectiveness at locations
 - Indent Management System (IMS): As a part of extending differentiated services to Retail Outlets & Direct Sales Customers at Depots / Terminals, indent management system has been rolled out. The system enables convenience and reliability of registering indents at any time of the day by the customers through SMS / Web Portal. IMS is integrated with OLA for automated planning activity at the locations.
 - Optimised Logistics Assistant (OLA): OLA is an IT enabled tool which facilitates in auto allocation of indents with equitable distribution of loads basis RTKM, difficult and long loads. It does optimization on rate, tank truck utilization and distance which results in savings in distribution cost. It also maintains audit trail of all indents registered and executed thus ensuring greater transparency and confidence to all stakeholders.
 - Terminal Automation System: Terminal Automation System (TAS) is a centralized system used for real time controlling and monitoring of Terminal operations like product receipt, storage and dispatch by Tank Trucks. TAS ensures Q&Q assurance, improved efficiency of process, ease of operations and enhanced safety in product handling.
- Ensuring transparency in Retail Outlet Dealership selection / LPG Distributor Selection Process
 - With the objective of elimination of discretion and introducing transparency in allotment procedure, MOP&NG issued guidelines for award of LPG distributorship (RGGLV in August 2009 and regular distributorship in June 2010) and Retail Outlet Dealerships (in February 2014) through draw of lots thus doing away with the interview process. The policies and guidelines have been suitably amended in due course based on discussions with OMCs.
- Efficiency in Public Procurement and Vendor Management
 - Implementation of e-procurement: E-procurement offers the benefits of greater transparency, wider supplier base reach and lower transaction costs. E-procurement system has been rolled out in HPCL in June 2007 to enable tendering and reverse auction through internet, thereby reducing cycle time for procurement processes and eliminate paper work. The e-procurement solution has been rolled out on an in-house developed e-procurement platform with effect from 1st April 2012. E-tendering made mandatory for tenders above threshold limit of Rs. 10 Lakhs. System is integrated with HPCL website and Central Public Procurement (CPP) Portal for publishing of e-tenders and award of tender details. As on September 2016, percentage of e-tenders to total tenders (in terms of value) is 97%.
 - Reverse Auction: In-house developed Reverse Auction platform has been

implemented w.e.f May 2015. System is integrated with in-house developed e-procurement portal. The system auto calculates benchmark price for Reverse Auction basis lowest of priced bid and estimated rate and allows bidders to participate in multiple Reverse Auction event within the same time slot.

- o Vendor registration: To ensure development of a robust vendor database, a web based online vendor registration portal has been rolled out. System ensures online availability of vendor's registration details and other credentials, online approval of the vendor's application by the Vendor Management Officer (VMO) after review by the Vendor Management Committee (VMC). The system is integrated with ERP system and PAN number uniqueness to avoid duplication of registration.
- o E-payments: Electronic payment system ensures smoother and faster payments to vendors, contractors, transporters and other service providers. System is integrated with the company's banking institution enabling seamless transmission of payment information and thereby ensuring timely payment. As on September 2016, percentage of e-payments to total payments (in terms of value) is 98.71%.
- o Bill Tracking System: Bill tracking system provides a platform for submission and acceptance of vendor bills and for further processing of the bills. It provides avenues to the vendors/contractors to check the status of their bills online. The system ensures transparency and adequate visibility into the entire payment process.

4. **SUSTAINABILITY AND WAY FORWARD**

To ensure sustainability of the systemic improvements undertaken by the corporation in the various business areas and to ensure continuity in leveraging / utilization of technology for increasing transparency, re-engineering of business processes and minimizing human interface, the following initiatives need to be pursued

- Upgradation of existing technologies or e-platforms to ensure robustness and stability in the system and for supporting future business requirements.
- Sensitization of project engineers / field Officers on the various check points / Do's and Don'ts on project execution and on the various stages of public procurement.
- Vigilance sensitization at different levels of the organization, presentation on Vigilance Observations and case studies to business, entities and regions.
- Undertaking periodic system improvements studies on business areas prone to corruption / irregularities, recommendations to management on systems and procedures.
- Specialized trainings on forensics and document examination for Vigilance Officers, being conducted by institutes or academies like LNJN National Institute of Criminology and Forensic Science - New Delhi, CBI Academy – Ghaziabad, Gujarat Forensic Sciences University – Gandhinagar etc.



IndianOil

Indian Oil Corporation Limited



A. INTRODUCTION OF THE ORGANISATION

Indian Oil Corporation Ltd. is India's largest commercial enterprise, with a sales turnover of Rs. 3,50,603 crore. Indian Oil is ranked 161st among the world's largest corporates (and first among Indian enterprises) in the prestigious Fortune 'Global 500' listing for the year 2016. As India's flagship national oil company, with a 33,000 strong work force, Indian Oil has been meeting India's energy demands for over half a century. Key operating parameters of the organization are as under:

- Annual turnover : Rs. 3,560,603 Cr.
- Operates 11 of the 23 oil refineries in India with a combined refining capacity of 80.7 MMTs (35% of total national capacity).
- Operates a pipeline length of 11746 kms with a throughput capacity of 85.5 MMTPA.
- Market leader in the marketing and distribution of petroleum products with nearly half of India's petroleum products market share.
- Network of 45000 customer touch points including fuel stations and LPG distributors across the nation.

B. AREAS PRONE TO CORRUPTION

The following areas of work/activities have been identified as sensitive from the point of view of the probable corruption:

1. Marketing Division
 - (i) LPG/Retail Sales at the level of Divisional Head (Head Office).
 - (ii) Materials, Engineering & Projects, Consumer Sales at the level of Divisional Head.
 - (iii) State Offices at the level of State Head.
 - (iv) Retail Sales at the level of State /Divisional Retail Sales Head and at the level of Field Officers in Metros, Class 'A' and 'B1' cities.
 - (v) LPG Sales at the level of State/Area LPG(Sales) Head.
 - (vi) LPG Operations at the level of Location In-charges.
 - (vii) POL Operations at the level of Location In-charges.
 - (viii) Aviation at the level of Location In-charges catering to Defence exclusively and to both Defence and Civil.
 - (ix) Engineering at the level of site Engineer (Projects) and Divisional and State Engineering Head.
 - (x) Materials at the level of Grade "C" to "F" dealing with purchase.
 - (xi) Administration at the level of officers handling transport contracts/ booking of guest house/maintenance and repair of office premises at Regional/State/Head Office.

- (xii) Finance at the level of Sectional Head in State Offices and locations.
 - (xiii) Lube Materials at the Grade “C” to “F” dealing handling procurement of materials in Lube at Head Office.
 - (xiv) International Trade and Petrochemicals at the level of Head of Department.
2. IBP Division
- (i) Materials at the level of Chief at BG (Cryogenics).
 - (ii) BG (Explosives) at the level of Head of Marketing in Head Office.
 - (iii) BG (Explosives) at the level of Head of Commercial in Head Office.
3. Refineries Division
- (i) Shipping, A&W, Projects, Materials, Finance (Projects) at the level of Head in Head Quarter.
 - (ii) Refineries Units at the level of Head of Unit and Projects.
 - (iii) Materials- at the level of officials dealing in purchase of materials.
 - (iv) Contract Cell at the level of its In-charge.
 - (v) Canteen and Transport at the level of dealing Officers.
 - (vi) Finance- at the level of officials dealing with payment of bills related to works, projects and purchase.
 - (vii) Maintenance (mechanical/Electrical/Instrumentation/Civil at the level of Engineer In-Charge dealing with ARC Contracts.
4. Pipelines
- (i) Estate related matters at the level of HOD in PLHO.
 - (ii) Officers posted in Contract Cell.
 - (iii) Finance In-charge looking after Vendor/contractor payment.
 - (iv) Officers directly looking after Administration Matters vendor payments/ canteen/transport/hotel etc.
 - (v) Head of Materials in Regions.
 - (vi) Head of TS Department in Region.
5. R&D
- (i) Head of Project Deptt, Engineer-In-charges looking Project, ARC contracts in Project Deptt.
 - (ii) EIC & dealing officer looking after Contracts like, Transport. Dealing officer in Recruitment in HR Department.
 - (iii) Finance Officers dealing with Concurrence, Payments of Bills related to works, Purchase in Finance Department.
 - (iv) Officer looking after Recruitment Section.
 - (v) Officers dealing with Import, indigenous and stores in Materials Department.

C. **SYSTEMIC IMPROVEMENTS AND THEIR IMPACT**

- As part of preventive vigilance measures, there is a continuous study of SOPs, procedures, policies and practices to suggest improvements thereof. Some important systemic studies have resulted in the following interventions through policy circulars from the Management:
 - a. E-tendering implemented across the Corporation where tenders of value Rs. 5 lacs or more are finalised through e-tendering.
 - b. Bill Watch System displays the current status of bills to vendors/contractors/suppliers thereby promoting transparency.
 - c. Standardisation of Schedule of Rates (SORs) done across all Divisions of IndianOil. Methodology adopted in deriving SORs is also being used for updation from time to time and uploaded in SAP for various transactional purposes.
 - d. Clear and transparent modalities for ad-hoc arrangement of operation of LPG distributorships in the event of termination/suspension.
- With a view to establishing a mechanism for employees to report to the management concerns about the unethical behavior, actual or suspected fraud or violation of the company's code of conduct, the Board of Directors of the Corporation has framed a "Whistle Blower Policy" to ensure greater transparency in all aspects of the Corporation's functioning , by formulating a procedure for persons to bring to the attention of the Corporation, incidents of improper activities without fear of victimization.
- **Leveraging Information Technology**
 - **Entire Business Transactions through SAP** – All business transactions of the Corporation are conducted through this customised ERP platform. These include activities connected with purchase, sales, payments, collections, contracts, human resource functions etc.
 - **E-payments** – No Cash/Cheques/DDs are used except for statutory payments. All payments made to vendors are through NEFT only to the designated vendor codes of vendors. 99.54% of the payments in the Corporation are in the form of e-payments.
 - **E-collections** – The Corporation accepts payments from its channel partners/customers only through the e-mode, barring any stray emergencies. E-collections in the Corporation are to the tune of 96.21%.
 - **E-procurement/E-tendering & hosting of Tenders on web-site** – It has been made mandatory to finalize all procurements/purchases/services etc above Rs. 2 lacs through the e-tendering mode only.
 - o Percentage of e-tenders of value >5 lakhs: 99.77%
 - o Percentage of e-tenders of value >2 lakhs: 99.20%
 - **Hosting of Dealers/Distributors Selection procedure and status of selection process for each location on web site** – The status of each application is shared with applicant at each step of the dealer selection process by uploading after scrutiny, post-scrutiny, land evaluation and each subsequent step.

- **e-CFS (e-Customer Feedback System)** – This serves as an online complaint/grievance redressal system as well as suggestion and appreciation portal for customers.
- **Only Xsparsh/ Web/SMS indenting by dealers** – Indents can now be placed through a mobile application for dealers (Xsparsh) through automation based auto-indenting when the stocks reach re-order levels, web-portals or SMS to a designated number. All these modes are integrated with SAP and immediately on receipt of the indent of a sale order gets generated in SAP which has to be executed on a FIFO (First In First Out) basis.
- **Terminal Automation (Smart Terminals)** – Loading of Tank Truck Lorries with no manual intervention.
- **Vehicle Tracking System (VTS) for Tank trucks** – Diversion of tank trucks carrying fuels, for un-authorized sales/purchases and also suspected adulteration has been a serious issue with the Corporation. Vehicle Tracking System has been designed and implemented for all automotive fuel supplies which monitors movement of trucks through Vehicle Mounted Unit (VMU). Movement of each tank truck is then monitored on route diversion against pre-set routes and un-authorized halts. The system throws up each case of exception for subsequent action by officials and also triggers SMS to concerned officials in case of any route diversion etc.
- **Auto TT Scheduling at locations for TT loading** – TTs are scheduled for loading on a first come first served basis.
- **File Tracking and Bill Tracking Systems** – All files and bills initiated and processed by each Officer are routed through the File /Bill Tracking System and updated by Officers after each process to ensure that the vendor is aware of the status of their bills/payments.
- **Centralised Sales Modules for LPG (Indsoft)** – Indsoft enables LPG refill booking, payments against refills, issuance of new connections, monitoring of waiting lists for new connections, backlog of refill supplies, weekly remittances to the Corporation against payments accepted/paid by distributors on Corporation's behalf for security amounts against equipments, equipment inventory status and also incorporates inspection of distributorships by LPG officials.
- **Annual Dealer Returns for dealers** – By uploading dealer details on Corporation website which have to be verified and acted upon by designated officials. Shifts the onus to dealers for compliance of MOPNG/ Corporation guidelines and controls benami operations.
- **Online modernisation subsidy system integrated with SAP** – With the launch of the online subsidy module, the system operates with all approvals and payments made online without involvement of any manual processes thereby also weeding out any possibility of discretion or mishandling in disbursement of subsidies to dealers.
- **Automation of Retail Outlets** – This ensures remote monitoring of

operations and has inbuilt checks in the system to control malpractice. It also assists in handling customer grievances. Over 9400 outlets automated so far.

- **IVRS/Web-based/Application based booking of refills** – The system interfaces with Indsoft and generates a booking number and date which is intimated to the customer.
- **Online booking of new LPG connections and payments for LPG refills** – If the customer books refills online, the system also offers him the benefit of opting for a pre-paid delivery of LPG refill payment which can be made online.
- **ESS (Employee Self Service) portal** – This module covers the entire spectrum of employee interface with Management including employee records, medical issues, ticketing/travel, payroll records, payments, claims and leave.

- ***Other Organisational Interventions/ Improvements to enhance Preventive Vigilance***

Preventive vigilance measures at the Organizational level aim at weeding out ad-hocism in work processes and development of a nexus between the employees and the vendor/service provider. These measures are as follows:

- i. The company has well laid down guidelines / manual /instructions for the employees carrying out their day to day office work in various departments. The financial and administrative powers are well defined by means of Delegation Of Authority Manual supported by robust financial guidelines.
- ii. A Committee approach is adopted for evaluation of large value projects / tenders as per DOA and the works, purchase manual of the Corporation.
- iii. Large scale computerization of work processes has been carried out to reduce errors and enable real time monitoring.
- iv. CCTV cameras have been provided in the sensitive areas at locations for keeping a watch.
- v. E-payments have replaced cash payments and almost all transactions are now through electronic mode alone. Work is distributed among the vendors and service providers so that development of any nexus between the staff and particular service provider is prevented.
- vi. The organization has a Transfer and promotion policy and this, apart from giving all round exposure to employees, prevents development of any vested interest.
- vii. The organization has in place a system of review of leave taken and medical expenditure reimbursed to the employees.
- viii. The employees appearing in the Agreed List/List of Employees of doubtful integrity are not posted to sensitive assignments. Employees holding sensitive assignments are rotated every three years.

D. SUSTAINABILITY AND WAY FORWARD

The existing preventive vigilance measures in the organization are periodically reviewed and strengthened so that vigilance related issues are minimized. Some of the initiatives implemented/planned are as follows:

1. An online system for mapping the entire Vigilance process and monitoring Vigilance cases is under development which is expected to be immensely useful in tracking cases for identification of delays and auto generating reminders for improving efficiency and meeting timelines as prescribed.
2. A compendium of selected Vigilance cases that brings out significant loopholes in the system and lapses made by officers in various areas of work, is proposed to be brought out during the year 2016. The compendium is proposed to be circulated widely amongst the officers of the Corporation with an aim to sensitise and help them to learn from these and avoid similar mistakes in future.
3. In order to ascertain and address the problems faced by the vendors and contractors, participation of Vigilance officers is being ensured in the vendor-contractor meets that are organised by Management at various locations of IOCL.
4. Case studies are taken up during review meetings of Vigilance officers to share experience and learnings.
5. Compendium of CVC guidelines / circulars has been released by the Chairman for easy access and use by the officers.
6. Orientation programme for newly inducted Vigilance Officers conducted which included the source / faculty drawn from CVC and CBI.
7. Regular interaction sessions between CVO and Divisional Directors as well as other senior officers have been initiated.
8. Specially designed Vigilance training programmes for senior executives (GMs & DGMs) are being planned during the year.
10. System study on lubes, POL products and LPG transportation is being undertaken.



Oil & Natural Gas Corporation Limited

VIGITHON

शान्ति का आधार अस्त्र बल
भारत डायनामिक्स लिमिटेड Bharat Dynamics Limited
(पारत सत्कार का प्रथम, रक्षा मंत्रालय A Govt. of India Enterprise, Ministry of Defence)
अमरावती इकाई Amravati Unit
Smt Pratibha Devi
भारत की राष्ट्रपति
President of India
laying the Foundation Stone

I. **INTRODUCTION OF THE ORGANISATION**

- Maharatna ONGC is the largest producer of crude oil and natural gas in India, contributing around 70 per cent of Indian domestic production. The crude oil is the raw material used by downstream companies like IOC, BPCL, HPCL to produce petroleum products like Petrol, Diesel, Kerosene, Naphtha, Cooking Gas-LPG.
- ONGC is India's Top Energy Company and ranks 20th among global energy majors.
- ONGC ranks 14th in 'Oil and Gas operations' and 220th overall in Forbes Global 2000.
- Its wholly-owned subsidiary ONGC Videsh Limited (OVL) is the biggest Indian multinational in the energy space, participating in 36 oil and gas properties in 17 countries. ONGC subsidiary Mangalore Refinery and Petrochemicals Limited (MRPL) is a Schedule 'A' Miniratna, with a single-location refining capacity of 15 million tons per annum.
- ONGC is one of the most valuable corporations trading on Indian stock exchanges. With a current approximate share price of around INR 250 per share and 8555.60 million equity share base, the market valuation of ONGC is INR 2,138,900 million.
- ONGC is the only fully-integrated petroleum company in India, operating along the entire hydrocarbon value chain. It has single-handedly scripted India's hydrocarbon saga.
- The Company operates with 27 Seismic crews, manages 250 onshore production installations, 215 offshore installations, 77 drilling (plus 31 hired) and 57 work-over rigs (plus 25 hired), owns and operates more than 28,139 kilometers of pipeline in India, including 4,500 kilometers of sub-sea pipelines.
- ONGC has adopted Best-in-class business practices for modernization, expansion and integration of all Infocom systems.

II. **AREAS PRONE TO CORRUPTION**

The areas prone to corruption are as under:

A. **Procurement**

- Improper estimates
- Award of works on 'nomination basis' instead of 'open tendering'
- Tailor made Bid Evaluation Criteria [BEC] and Technical Specifications/ Scope of work
- Change in BEC/Specifications after opening of techno-commercial bids
- Award of work without ascertaining rate reasonability
- Split up of works

- Purchase of material/software, etc. not in conformity with the requirement and/or excess purchase
- Change in Scope of work during execution, without due approval of competent authority
- Change/amendment in contract (post award) to favour contractor
- Increase/decrease/substitution/substandard/poor quality/extra work during execution of contracts/LSTK contracts
- Release of advance payment in excess
- Extension of work without levying Liquidated Damages (LD)
- Delay in settlement of bills of vendors/contractors
- Payment of bills without verification of supporting documents, which include Statutory Payments; viz. Insurance/ESI/EPF/LabourCess/Service Tax, etc.
- Payment of bills without certification by users/user department
- Deployment of inadequate personnel by contractors (less in number/qualification)
- Extension of work without requisite Performance Bank Guarantee (PBG)

B. Reimbursements and personal claims

- False TA/DA bills
- Transfer TA/DA bills with wrong/false information or documents in support of household goods
- False medical bills
- False OTA claims

C. Sales/disposal

- Sale of Gas directly from local installation to industries
- Condemnation/disposal of material

D. Inventory

- Improper stocking of material
- Theft of material
- Inflated requirement

E. Personnel management

- Irregularities in recruitment of personnel through Direct or Campus Selection

- Promotions using subjective criteria
- Prolong stay at Sensitive positions

III. **SYSTEMIC IMPROVEMENTS AND THEIR IMPACT**

i. **Procurement of High Flash High Speed Diesel from Oil Marketing Companies through open tender basis (instead of Nomination basis)**

Earlier HSD for internal use was being purchased from Oil Marketing companies on 'nomination basis'. However, after deregulation of diesel prices by the Government of India, the issue was pursued with the Management through Structured Meeting, to purchase the HSD through open tendering basis instead of nomination basis.

Management has now informed that an open tender was invited for procurement of HFSD by Nhava Supply Base of ONGC, and Purchase Order dated 2.9.2016 has been issued for procurement of 7,65,000 KL HFHSD for 03 years to M/s MRPL under ICB tender by MM-OLG. The anticipated saving in three years is expected to be to the tune of Rs. 1683 Crores.

ii. **Invoice Monitoring System (Bill Payment)**

There have been complaints alleging nepotism/delay in releasing of payments to contractors. Management was accordingly advised to put in place a system for ensuring payments to contractors/vendors in a timely manner. Presently ONGC has an online Invoice Monitoring System which has not only reduced human efforts, but also reduced the processing time from 39 days to 26 days. The system also enables the vendor to track the position on real-time basis. Efforts are being made to reduce the processing time further i.e. **21 days**.

iii. **Bringing in transparency and minimizing the subjectivity in Recruitment and Promotion**

- **Score of GATE/CLAT/UGC NET Exams**
- **Minimizing subjectivity component in promotions (interview marks by DPC)**

Earlier ONGC was recruiting Graduate Trainees by conducting entrance examination followed by interview on annual basis, through private agencies. Recruitment and Promotion was an area where a lot of complaints alleging favouritism and corruption were coming. Accordingly, matter was taken up with the Management, and ONGC has now started recruiting GTs through the scores of **GATE/CLAT/UGC NET Exams**.

As far as 'promotion' is concerned, the subjectivity component i.e. interview/ assessment by DPC has been reduced to **15%** from the earlier quota of 25%.

iv. **Integrated Materials Management & Works Manual**

This has ensured processing of tenders in a unified way. Earlier tenders for civil, electrical works, etc. were being processed as per the Works Manual, while other tenders relating to services and procurements were being processed as per Materials Management Manual, and at times, it was noticed that concerned TC members were interpreting clauses of both the manuals to suit their whims and fancies.

v. Disclosure of Performance Appraisal Reports [PAR]

ONGC management was pursued for implementing the guidelines of Government of India relating to disclosure of full PAR ratings to the concerned individuals. The same has since been implemented in ONGC and now full PAR is disclosed to the individual. This will bring transparency in the process of performance evaluation.

vi. Tender Monitoring System [TMS]

A system has been put in place in ONGC i.e. TMS, in order to check various stages of tenders; details about concerned officials dealing with respective tenders; and if there has been any undue delay on the part of concerned officials beyond the prescribed time limits. This will ensure transparency besides accountability as well as timeliness in tender processing.

vii. e-Payments to employees/vendors/contractors/land owners

Except statutory payments and few land related payments, ONGC is releasing payments to its employees, vendors and contractors through e-payment mode, which is **99.82%** of its total payments. **This has reduced the human level intervention substantially.**

viii. Reverse Auction

The reverse auction was discontinued by ONGC. The matter was followed up with Management, and reverse auction has now been reintroduced since 16.3.2015.

This is another tool towards e-governance with minimum human interface.

ix. Transparency in nomination of officials for trainings aboard – criteria to be put in public domain.

It was observed that in training programmes having foreign visit component, the selection criteria was arbitrary and was not available in public domain, thereby lacking transparency.

Now criteria for selection for such training programmes has been put on public domain and it will be known to all officers/executives, which will not only bring transparency but also reduce discontentment amongst employees.

x. Procurement of Chemicals

ONGC did not have proper testing and bonding procedure for procurement of chemicals. This issue was taken up with the Management, and a new policy

has been approved by the Executive Committee of ONGC, which will streamline the testing & bonding procedure during procurement of various kinds of chemicals.

xi. Appropriate provision for enhancement/forfeiture of EMD in case of disposal of material

It was observed that there existed no provision in Books of Delegated Powers (BDP) relating to enhancement/forfeiture of EMD in case of disposal of material.

The issue was pursued with the Management, and now suitable clause/para in BDP has been inserted. This has not only streamlined the delegated powers, but would also avoid misuse of authority.

xii. Cost estimation

It was observed that no provision existed relating to costing for Civil/Electrical and other works, which resulted in manipulation in cost estimation as technical content of reference and technical content of tendered items were not matching. Suitable clause/para has been inserted in the MM Manual to overcome this deficiency.

xiii. Delay in Project Completion – Poor performance of contractors

Recurrence of delay in completion of project by contractors causing cost overrun and related financial loss to the Company.

Management has introduced Vendor Rating System since 1.2.2015 to take care of poor performance of vendors during execution stage.

IV. SUSTAINABILITY AND WAY FORWARD

Major systemic improvements proposed to be undertaken in future are:

- Implementation of Job Rotation and Transfer Policy [JRTP].
- Inserting appropriate clause in tender documents relating to qualification required for different specialized manpower in contracts.
- Framing up a comprehensive policy on engagement of TPI agencies; their role vis-à-vis role of ONGC officials.
- Issuance of clear guidelines (ONGC wide) on pool vehicles for out station journeys.
- Policy for allotment and rent fixation of shops inside ONGC Colonies.
- Mandatory verification of documents of L1 bidder and filing of criminal complaints against those bidders/contractors who have submitted forged documents, besides banning of business dealings/putting on holiday.
- All payments including LAQ payments through e-payment mode.
- Fraud Risk Management and Prevention Policy & Manual related to financial transactions.

- Checks in the system on generation of Multiple Vendor Code.
- Transparency in procurement of medicines and medical equipments.
- Issuance of Corporate Communications Manual.
- Provision for forfeiture of BG/EMD in case of submission of forged/fake documents relating to experience.
- Provision for penalty clause in Gas compression contracts (in cases where contractor is not able to compress the gas, despite availability from ONGC).
- Streamlining of banning process and banning action with prospective date.

* * *



GAIL (India) Limited

A. INTRODUCTION OF THE ORGANIZATION

GAIL is a Maharatna Company with Sales Turnover of around Rs. 51614 Cr and PBT of Rs 3173 Cr in FY 2015-16 & employee strength of around 4300. GAIL owns and operates network of over 11,000 Kms of natural gas high pressure trunk pipeline, 2038 Km of two exclusive pipelines for LPG transmission, LPG plants at five locations in India and a gas based 810,000 TPApetrochemical plant at Pata, Uttar Pradesh. GAIL also has equity stake in Brahmaputra Cracker and Polymer Limited (BCPL) and is a co-promoter in ONGC Petro-additions Limited (OPaL). GAIL has 14 JV companies and 5 subsidiaries for CGD, Petrochemicals, LNG, gas trading, power generation & Shale gas. GAIL is involved in E&P activities with participation in 13 oil and gas exploration blocks including both on-land blocks and offshore blocks abroad. To support higher imports of LNG, GAIL is evaluating opportunities to set up LNG terminals / FSRUs in the country. GAIL has also set up 118 MW wind power capacity and 5 MW solar project in pursuit for diversification in renewable energy. GAIL has overseas presence in five countries i.e. in USA, Singapore, Egypt, Myanmar and China. GAIL is also pursuing the Turkmenistan-Afghanistan-Pakistan-India (TAPI) Pipeline project to receive natural gas supply from Turkmenistan.

B. AREAS PRONE TO CORRUPTION

Following areas are identified as prone to corruption:

1. Tendering and award of contracts including delays in processing of tenders
2. Execution of Contracts
3. Payments to contractors/ vendors including delays
4. Delays in receipt of payments from customers including delays
5. Employee Payments including delays
6. Delays in decision making
7. Recruitment
8. CSR Implementation

C. SYSTEM IMPROVEMENTS & THEIR IMPACT

C.1 Preventive vigilance through IT usage and the e-governance: In GAIL, Vigilance has promoted development and institutionalizing of a number of IT based systems and has been intensively relying on them to monitor various activities. As a result, following existing systems have evolved in GAIL over last few years:

- I. **Implementation of SAP:** All major business transactions are performed on SAP platform to ensure seamless integration of business processes and transparency
- II. **Tendering Processes:**
 - a) **e-tendering system:** GAIL has implemented e-tendering through SRM system of SAP for e-receipt of Bids from vendors. Presently, GAIL is inviting e-tenders for all tenders estimated more than Rs 25 Lacs. This has resulted in enhancing transparency & fairness of tendering process to a large extent

with advantages such as logging of all events, enhanced vendor confidence and minimal human intervention.

- b) **Online Reverse Auction System:** With a view to ensure best price for organization, GAIL has implemented Online Reverse Auction (ORA) in its tenders on advice tendered by Vigilance department. In this system, after opening of price bids, the qualified bidders are made to electronically submit counter offers starting with the L1 price as the base. Only L1 price is displayed during ORA. Minimum step size is defined, and quantity constraints can be accounted for. The auction is carried out for a specified time with laid out rules/ environment wherein their IP addresses etc are also monitored to rule out cartelization/ unfair practices.
- c) **Web Hosting of tenders :** To ensure wider publicity of tenders and maximise competition in the interest of organization, GAIL is hosting all its tenders estimated more than Rs. 7 Lacs on GAIL's tender website viz www.gailtenders.in. as well as on Govt tender website viz. www.tenders.gov.in in line with Government guidelines.
- d) **Tender Monitoring System:** In order to monitor timely processing and award of tenders within the timelines set by the organization, this web enabled software has been developed and implemented in GAIL on initiative of Vigilance.

III. **Payments, Invoicing & Receipt:**

- a) **Gas Management, e-Joint Ticketing System & e-Receipt of customer payments (e-Receivables):** Efficiency in gas reconciliation, faster customer billing & faster payment realization from customers have been achieved in a transparent way with least manual intervention bringing with it ease of accounting.
- b) **Employee e-Payments:** In line with e-payments to vendors, the payment of salary and other personal claims of employees are also being made online in their accounts. This results in easy bill monitoring, delay tracking & brings transparency to the process.
- c) **E-payments to vendors:** As a major step in eliminating human intervention while releasing payment to vendors/ suppliers, GAIL has implemented system of online transfer of payments to bank accounts. This has also resulted in faster payment & ease of accounting.
- d) **Bill Watch System:** This is a web enabled software for tracking the movement of bills submitted to GAIL. On GAIL's website, Contractors/ Suppliers can verify their bill status by using the 25 digit unique receipt number obtained while submitting the bill in GAIL. In case of bill return or bill pending, details of officer concerned are shared. In case the bill is paid, cheque number, date & amount are shared. A number of exception reports & pop-ups to monitor and timely payments have also been developed in the software. Minimizing human intervention, easy bill monitoring, delay tracking & transparency are prime benefits of the system.

As a result of continuous follow-up, a tremendous improvement has been witnessed in the form of reduction of processing time of bills.

- IV. Decision Making - File Movement System:** It is a web enabled software to facilitate tracking the status of file movements all across GAIL. When a file is initiated in the system, a unique reference Id is generated by the system through which the movement of the file between concerned employees can be tracked. Colour coding is used to segregate files with or without financial implication. After the decision is taken, the entry can be closed in the system.

Several reports, pop-ups and exception alerts in the system have been developed to monitor and track files for ensuring timely disposal of files thereby accelerating decision making and efficiency of the organization and increasing transparency in decision making.

V. e-Initiatives in Vigilance Functioning:

- a) **Online Complaint System:** An “Online Complaint” system has been developed and a link has been provided on the Home Page of GAIL website i.e **www.gailonline.com** to enable public file e-complaints. The system will ensure that secrecy of the identity of the complainant is maintained if the complainant so desires. Benefits of the system include:

- Ease of access of Vigilance Mechanism to General Public
- Saves time & effort of complainant
- A vital source of information for vigilance

- C.2 Preventive vigilance through adequacy of systems/procedures & continual improvement:** As a result of proactive approach of Vigilance towards ensuring adequacy and improvement of systems and procedures, major policy and procedures have evolved over last few years related to Contract & Procurement; Delegation of Powers; Guidelines for preparing proposals; Recruitment Policy; Fraud Prevention Policy; CSR Policy; CDA Rules; Marketing Policy etc.

- C.3 System Improvements Implemented:** As a result of review of procedures on routine basis as well as periodic, surprise and CTE type inspections conducted, various system improvements have been identified to cover the gaps observed and implemented, in the recent past in GAIL:

1. Implementation of Percentage mark-up model for tenders related to contracts which are repetitive in nature.
2. Test Check Measurement to ensure that senior officers carry out random test checking of bill measurements certified by junior officers for payment to contractors.
3. Constitution of Estimate Review Committee at major sites & Corporate Pipeline projects to cover tenders with estimate of more than Rs 5 Cr for Projects and Rs. 1 Cr. for O&M.
4. Provisions for recovery from Project Management Consultant for variation between cost estimate and recommended Contract/ Order value as well

substantial variation between awarded contract value and executed contract value.

5. Provision for considering Past Purchase Price for estimation & award introduced.
6. Excluding arbitration option in case of action against vendors for fraudulent practices in GAIL Tenders & Marketing Agreements / Contracts.
7. Standardization of procedure for generation of MGO (Minimum Guaranteed Offtake) invoice through SAP.
8. Model tender documents for provisioning of services including dak, reception, catering, horticulture, photocopying etc.
9. Implementation of paperless employee claims.
10. Implementation of Online Property Return Submission.
11. Capturing of employee photographs on Transfer / Joining Orders to avoid impersonation at the time of joining at new locations on transfer.
12. Amendment of Delegation of Power (DoP) Clause 6.1.2 (ii) relating to extension in scope on same terms and conditions/ extra by specifying it as a percentage of the contract value in place of an absolute value.

C.4 Impact of Implementation of Various Systems & System Improvements:

The systems & procedures institutionalized in the company and their continual improvements as above have resulted in providing a control framework over the Corruption Prone areas as outlined in the Table below:

Sl. No.	Potential Area	Sub-Area	Adequacy of existing procedures & checks
1.	Corruption	In tendering and award of contracts	<ol style="list-style-type: none"> 1. C&P Procedure 2. Delegation of Powers SAP MM Module 3. e-tendering system 4. Online Reverse Auction System 5. Web Hosting of tenders 6. System of monitoring Nomination award cases
		In execution of contracts & payments	<ol style="list-style-type: none"> 1. C&P Procedure 2. SAP MM Module
		In recruitment	<ol style="list-style-type: none"> 1. Recruitment Policy 2. Provisions in CDA rules regarding appointment of near and dears (nepotism)
		CSR job award & execution	<ol style="list-style-type: none"> 1. CSR Policy
		In decision making	<ol style="list-style-type: none"> 1. Guidelines for preparing proposals 2. File Movement System – for tracking delay
		In processing	<ol style="list-style-type: none"> 1. C&P Procedure

Sl. No.	Potential Area	Sub-Area	Adequacy of existing procedures & checks
2.	Delays	& award of tenders	2. SAP MM Module 3. Tender Monitoring System 4. E-Hosting of tenders
		In payments to vendors	1. E-payments through SAP 2. Bill Watch System
		In payments of employee claims	1. Employee Self Service Portal in SAP
3.	Forgery/ Frauds	Receipt of Payments from Customers	1. Gas Management System 2. E-Joint Ticketing System 3. E-Receipt
		Forgery by vendors	1. C&P Procedure – Banning Policy 2. Integrity Pact
		Forgery by Customers/ Accounting of Gas	1. GSC Provisions 2. Gas Management System
		Forgery / Fraud by employees	1. CDA Rules 2. Fraud Prevention Policy 3. SAP System
		Forgery by recruits	1. Recruitment Policy 2. Verification of Antecedents

Whereas the leveraging of technology in various company processes help to increase transparency in various operations and remove subjectivity by eliminating chances of manual interventions, continual improvement in the policy and procedures help to plug the loop holes and thereby minimizing chances of wrongdoing.

Such a framework provides conducive environment for fostering ethics and good governance, promotes faster decision making and create an atmosphere for the employees to work fearlessly in the company.

D. SUSTAINABILITY AND WAY FORWARD

While a number of suggestions of Vigilance have been implemented by the company as above, there are a host of other suggestions which are under consideration, such as:

1. Introducing checks and balances in payment of items in excess of 20% beyond SOR quantities in contracts and avoid over-execution of items.
2. Introduction of procedure to deal with Abnormally Low Rate Items.

3. Incorporation of measures / checks in respect of bids from Consortium.
4. Introducing Biometric System at GAIL Installations for Contract Workers.
5. Suggestion for review of Functional Director's powers on deviation to contracts.
6. Compliance of CVC guidelines regarding responsibility of Consultants vis-à-vis GAIL officials.
7. Improvement in Surveillance by providing CCTV cameras in stations having unmanned custody transfer Metering Skids to monitor gas supplies and prevent tampering of meter.
8. Capturing Full Procurement Cycle in SAP for real-time tender monitoring.
9. Introduction of a system of Profiling of Vendors to capture actions of Holiday / Banning List against them to enable exercise of caution at the time of dealing with such vendors.
10. Automatic accounting of Production Quantity and Dispatch Quantity of polymers to avoid manual intervention.
11. Suggestion to review composition of selection committee for more transparency in recruitment process where interviews are held.

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सेल SAIL

Steel Authority of India Limited



1. INTRODUCTION OF THE ORGANISATION

1.1 Steel Authority of India Limited (SAIL) is the largest steel-making company in India and one of the seven Maharatnas among the country's Central Public Sector Enterprises. The company is undergoing a massive expansion and modernisation programme involving upgrading and building new facilities and the Hot Metal capacity is expected to reach a level of 23.5 million tonnes per annum.

SAIL has five Integrated Steel Plants, three Special Steel Plants, one Ferro Alloys Plant, four Refractory Manufacturing Plants, operates nine iron-ore mines and two each of limestone and dolomite mines (total of 13 mines) under the aegis of Raw Materials Division, nation-wide marketing set-up under the aegis of Central Marketing Organization, in-house research and consultancy set-up 'Research & Development Centre for Iron & Steel' and 'Centre for Engineering & Technology', in-house Human Resource Development centre 'Management Training Institute' etc. which are located across the country.

1.2 Vigilance in SAIL

Public Sector Undertakings play a significant role in the economic as well as social development of the country and within the PSU's strong and robust systems are essential. As such, there is a need for strong vigilance organisation in the PSUs.

SAIL Vigilance endeavour is to facilitate commercial decision making in a transparent, integral and impartial manner upholding highest ethical standards of the Company. SAIL Vigilance emphasis is on continuous review and updation of existing systems and procedures, for increasing organisational effectiveness through leveraging technology leading to reduction in discretion and creating transparency and accountability in the organisation. SAIL Vigilance administration consisting of Preventive, Punitive, Proactive and Administrative vigilance is undertaken through following major activities:

- Complaint Management
- Scrutiny and checks
- System Improvements
- Intensive Examinations
- Creating Awareness.

Preventive vigilance plays a crucial role in ensuring good governance and upholding highest ethical standards in conduct of our business. Preventive Vigilance interventions are undertaken across all plant/units of SAIL. These interventions consists of activities directed at detecting deviations / irregularities as well as identifying lacunae / loopholes in existing systems/procedure/practices/methods of working and addressing the same through system improvements / administrative actions / punitive actions. Aligning with the changing business environment and in line with the extant CVC guidelines, periodic updations of systems and procedures are ensured.

2. AREAS PRONE TO CORRUPTION

Certain vulnerable areas prone to corruption have been identified in SAIL including those having interface with outside organisations during official duties / business dealings to prevent employees from developing vested interests.

Some of the areas identified include sections dealing with receipt of materials including high value raw materials, Dispatch / shipping sections of finished goods, Purchase Section / Stores, weigh-bridges, bill passing section, Marketing Department of Plants, Scrap and Salvage Department / Materials Recovery Department, Recruitment Section, Branches / Stock yards of Marketing, Chemical Testing Section of Research & Control Laboratory, Contract Labour Cell in all plants/units etc.

For surveillance in these identified areas, regular surprise checks / scrutiny / intensive examinations etc. are conducted by the vigilance department as a part of preventive vigilance. Further, executives posted in identified areas are rotated as per job rotation policy. These areas are kept under surveillance through installation of IT enabled gadgets including CCTVs. Further, the list of sensitive areas is also reviewed periodically.

3. **SYSTEMIC IMPROVEMENTS AND THEIR IMPACT**

Arising out of investigations, surprise checks, etc., various System Improvement Projects (SIPs) are undertaken across SAIL in the vulnerable areas like dispatch & shipping; stores / inventory management; contracts; weigh bridges; scrap yard amongst others. Apart from this one major concern area in each Plant/Unit is identified for system improvement through study of lacunae in the existing system and implementation of new system.

The impact of implementing various system improvements across the organisation has resulted in financial savings, improved decision making, procedural improvement etc.

4. **SUSTAINABILITY AND WAY FORWARD**

4.1 **Sustainability**

To align with the vision and ethos, SAIL has developed a very robust framework of system & procedures over the years. For continuous endurance of systems and procedures, all plants/units prepare an extensive preventive vigilance plan encompassing the following activities:

➤ **Surprise checks / Scrutiny of files**

Surprise checks / joint checks are conducted in sensitive areas which have been identified as Problem Areas such as inspection of incoming materials, shipping sections, stores, weigh-bridges, projects, bill passing section, etc. and case files from areas related to Contract/Procurement / Project/ Finance/ Personnel etc. are scrutinized thoroughly by vigilance department for adherence to rules, systems and procedures and checking favouritism or unjustified delays etc.

➤ **Intensive Examinations (IE)**

Each year, at least one major project / procurement case is taken up by Vigilance department in each plant / unit for scrutiny in line with IE conducted by Chief Technical Examiner (CTE) of CVC. The preventive recommendations arising out of these cases are forwarded to concerned authorities for administrative/preventive actions.

➤ **Awareness Programmes**

Regular Training / Orientation programmes are conducted to sensitise / create

awareness / disseminate information amongst cross-section of employees covering various systems & procedures such as Purchase & Contract Procedures (PCP), SAIL Conduct, Discipline and Appeal Rules, Whistle Blower Mechanism in SAIL, e-procurement etc.

➤ **In-house Journal**

Vigilance publishes in-house journal– “Inspiration” periodically, which contains articles on vigilance, ethics, case studies, CVC circulars, etc. to sensitise employees on different aspects.

➤ **Review of existing systems/procedures**

Vigilance has been associating with the executing agencies for periodic updation/review of existing policies/procedures/manuals which assist in their areas of operations. Some of key interventions done in recent times include Purchase/ Contract Procedure, Standard Bidding Procedure and procedure for Banning of Business Dealings. In addition, a new Recruitment Manual has also been prepared for providing guidance in recruitment activities.

➤ **Sensitive Areas and Job Rotation**

Identification of corruption prone areas in an organization is an important part of preventive vigilance. In a big organization like SAIL, it is not possible for vigilance to keep a watch in every nook and corner of Plant. It is, therefore, necessary that such areas/departments, where officials mostly come in contact with businessmen/contractors/parties etc. are identified and watch is kept over them. Corruption prone areas are known as ‘sensitive areas’ in vigilance parlance.

Accordingly, a list of corruption prone departments is prepared with a view to keep surveillance in these areas. The list of such sensitive areas is reviewed periodically. Every year, executives who have completed three years in sensitive posts in sensitive areas are identified and rotated.

➤ **Monitoring the implementation of Integrity Pact**

SAIL adopted innovative system of Integrity Pact (IP), which is a tool aimed at preventing corruption in public contracting. The system works with Independent External Monitors (IEMs) of renowned stature and background. IP is an agreement between the Principal and bidder(s) for a public contract, binding both parties to ethical conduct. It is applicable for high value tenders valuing Rs. 20 Crore and above and all Handling Contracts of Central Marketing Organization (CMO), irrespective of contract value.

➤ **E-auction**

Online procurement i.e. forward auction / reverse auction was introduced in SAIL in the year 2002. Selling of valuable secondary products through forward auctions has resulted in greater transparency and maximisation of SAIL revenue. Reverse auction has proved to be fast, efficient and transparent. The procurement prices of SAIL have also gone down since the adoption of reverse auction.

➤ **Technological Intervention**

The technological intervention has been an indispensable tool to enhance the agility and effectiveness of vigilance and the network of CCTV cameras provide additional teeth for instant observation. They are installed at susceptible locations such as the weigh bridges, material dispatch section, stockyards etc. The 24x7 surveillance helps in elimination of malpractices.

➤ **Enterprise Resource Planning (ERP)**

ERP has been implemented in SAIL to achieve transparency, accountability, efficiency etc. Various checks and balances in the system have further strengthened the preventive vigilance. Further, with a view to introduce analytics in the areas of procurement & contracting, so as to generate exception alerts and red flags for corrective action / system improvements, Business Intelligence (BI) Modules are being utilised in the existing SAP/ERP system.

➤ **Website**

SAIL website “sail.co.in” is the interface between the company and its stake holders. As part of preventive vigilance, various web based features like provision for lodging of on-line complaints, Whistle blower policy, status of CSR projects, bill payment status etc. have been incorporated in the website with the focus on promoting governance and transparency.

Tendering being the primary focus area of preventive vigilance, in addition to above, SAIL has hosted a dedicated tender website. While all Open tenders are posted on the website, it also disseminates a range of information on Limited tenders, post contract details of high value tenders, tender guidelines, vendor registration guidelines etc.

4.2 Way Forward

While continuing with the identified activities under Preventive Vigilance mechanism, following new areas/issues have been identified/ear-marked for meeting the dynamic business requirements:

- Maximising e-procurement through ERP systems.
- Using Business Intelligence Analytics of ERP, for continuous improvement in business decision making.
- Maximising e-payment to make it close to 100%.
- Electronic surveillance of SAIL mines using Geo fencing, GPS based vehicle tracking etc.
- Re-visiting recruitment processes/procedures, performance appraisal and promotion processes to bring about greater transparency.

The above endeavours of SAIL contribute in strengthening the preventive vigilance mechanism so that the same can act as tool of good governance by ensuring that SAIL is a fair, honest and ethical organization determined in its efforts to ensure better corporate governance.

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Employees Provident Fund Organisation

A. INTRODUCTION OF THE ORGANISATION

The Employees' Provident Fund Organisation (EPFO) is one of the largest Social Security providers in the world. It administers the Employees' Provident Funds and Miscellaneous Provisions Act, 1952.

The Employees' Provident Funds and Miscellaneous Provisions Act, 1952 is a Social Welfare Legislation enacted with a view to extend social security benefits in the form of Provident Fund, Pension Fund and Insurance Fund to the organised work force of the country engaged in the industries, factories and class of establishments to which the statute applies.

- **Schemes framed under the EPF & MP Act, 1952**

The following three Schemes have been framed under the Act:

- The Employees' Provident Funds Scheme 1952 (EPF) – (w.e.f 1st November, 1952)
- The Employees' Pension Scheme, 1995 (EPS) (w.e.f 16th November, 1995) {*replacing the Employees' Family Pension Scheme, 1971*}
- The Employees' Deposit Linked Insurance Scheme, 1976 (EDLI) – (w.e.f. 1st August, 1976)

The benefits admissible under each of the three schemes are indicated in the table below:

Provident Fund Scheme	Pension Scheme	Insurance Scheme
<ul style="list-style-type: none"> • <i>Accumulation plus interest upon retirement, resignation, death.</i> • <i>Partial withdrawals allowed for specific expenses such as house construction, higher education, marriage, illness etc.</i> 	<ul style="list-style-type: none"> • <i>Monthly pension for Members on superannuation/retirement, disability.</i> • <i>Monthly pension for dependants of deceased member viz. widow(er), children, parent/nominee.</i> • <i>Past service benefit to participants of erstwhile Family Pension Scheme, 1971.</i> 	<ul style="list-style-type: none"> • <i>The benefit provided in case of death of an employee who was member of the scheme at the time of the death.</i> • <i>The family will get an the maximum amount comprising of 50% of the average balance in PF account during preceding 12 months plus 30 times the average wages (with ceiling of Rs. 15,000/-) of the last 12 months of the member subject to a maximum of Rs. 6,00,000/-.</i>

- **Areas of Operation**

The organization is focusing its efforts and energy towards bringing in

transformative changes in its service standards and securing the satisfaction of its stakeholders – members/ subscribers/ beneficiaries and the employers. A brief overview of the major areas of operation of the organization is summarised below:

Compliance Management

- (i) Compliance begins with coverage of establishments under Sections 1(3) (a), 1(3) (b), 1(4) and 2A of the Act. After coverage, the employers of the establishments are required to comply with the provisions of the Act and the Schemes framed under it by enrolling their employees / workers as members of the Fund, deduct provident fund contributions from their salary and deposit the same to the Fund along with their matching contributions. The employers are also required to deposit their contribution towards the EDLI Scheme and Administrative Charges for all the three Schemes framed under the Act.
- (ii) The following types of non-compliance has been observed on the part of the employers:
 - a) Disputes on the applicability of the Act,
 - b) Non- payment of provident fund and allied dues and
 - c) Non- enrollment of all eligible Members.
- (iii) The Act provides for following actions to be taken against defaulters to ensure compliance:
 - a) Deciding applicability of the Act and assessment of dues through quasi-judicial enquiries,
 - b) Levying damages, as penalty, for belated remittance of contributions by the employer,
 - c) Levying 12% simple interest for belated remittances,
 - d) Recovery of P.F. and allied dues, penal damages and Interest through prohibitory orders and other legal and coercive measures,
 - e) Filing prosecution cases before the appropriate courts of law for various categories of default and non-compliance, and
 - f) Registering default cases with Police Authorities.

Services offered to the Members

- i) Acting on behalf of the Trustee for managing the three funds, namely the Provident Fund, the Pension Fund and the Insurance Fund, the EPFO makes prudent investment of the money out of the Funds, as per approved investment norms of the Ministry of Finance, Government of India before returning the earnings to the members,
- ii) Allowing final settlement and partial withdrawals from the Provident Fund accumulations to the members,
- iii) Making payment of superannuation pension, short service pension or disablement pension to the members,
- iv) Settling payment of provident fund, family pension and deposit linked insurance to the family of the deceased members and
- v) Transferring provident fund accounts of the members on change of their employment.

B. **PROBLEM AREAS**

The existing high level of human interface between EPFO officials and the employers/employees has raised various impediments in the way of providing hassle free services to the stakeholders. The challenges/ issues that the organization is facing are listed below:

- i) Ensuring real time coverage of establishments and enrolment of all eligible employees / workers as members.
- ii) Removing administrative bottlenecks for the employers seeking Provident Fund registration.
- iii) Detection of defaults regarding payment of provident fund and allied dues of the members by their employers.
- iv) Convergence of existing multiple account numbers of an individual member into a universal account number.
- v) Excluding any member, who has been allotted a universal account number, from applying and obtaining multiple account numbers.
- vi) Identification and verification of the members / beneficiaries and ensuring service delivery to bona-fide member claimants.

C. **SYSTEMIC IMPROVEMENTS**

The need for generating public confidence in the service delivery operations of the Organization has never been felt more intensely than now. In order to increase the efficiency, transparency and accountability of the services, EPFO has introduced multiple technological solutions. They are summarized as under:

1. **Online Registration of Establishments (OLRE)** – EPFO has launched a revised process of registration wherein the employer will be able to apply online and upload the digitally signed documents at the time of application itself. About 1.41 lac establishments have been reportedly registered. The OLRE portal is also integrated with Govt. of India's *e-Biz portal* and Ministry of Labour & Employment's *Shram Suvidha portal* for extending ease of business to maximum number of employers.
2. **Central Analysis and Intelligence Unit (CAIU)** – EPFO has set up a Central Analysis and Intelligence Unit (CAIU) to act as the nodal agency for facilitating compliance, tracking, monitoring and initiating default control measures. The CAIU collects and analyses field level data for targeted monitoring of establishments to achieve an optimum level of coverage and enrolment of members by developing linkages with other regulatory bodies such as the Income Tax Department, the Employees' State Insurance Corporation and Registrar of Companies etc.
3. **Unified Shram Suvidha Portal** – EPFO is also part of the Unified Shram Suvidha Portal of the Ministry of Labour & Employment. The portal that ensures data sharing between different regulatory bodies helps in enhancing transparency and reduces the scope of corruption considerably.
4. **Universal Account Number (UAN)** – EPFO has started issuing a Universal Account Number to every contributing member of the Employees' Provident

Fund. The UAN has facilitated single account number to almost 5 crore members with ensured portability of the account number upon change of employment of the individual member. The UAN is being further seeded with Aadhaar number of the member for eliminating duplication of account numbers.

5. **Electronic Challan-cum Return (ECR)** – Establishments have to submit their statutory returns online and those establishments, whose bankers are SBI, can also make online payments now. This ensures elimination of multiple paper returns and facilitates almost real-time updation of member accounts and establishment ledgers.
6. **Online Transfer Claims Portal (OTCP)** – Members’ claims for transfer of accounts necessitated by job/location changes have been made e-enabled and the processes have been completely digitalized.
7. **Mobile based Applications** –
 - i) Activation and access to UAN based member account by the members,
 - ii) Access to pension disbursement details by the pensioners,
 - iii) SMS based claims’ payment tracking facility and
 - iv) Monthly SMS alerts to all UAN holders regarding the credit of PF Contributions in their accounts.

D. SUSTAINABILITY AND WAY FORWARD

Finally, EPFO is going in for centralization of its Information Technology based applications, database, portals and operations which would usher in the next level of reforms in the organization. The centralized operations would allow the organization to introduce online services like online submission and processing of claims, real time double entry accounting systems, real time portability of accounts and seamless services for members. The centralized operations would eventually enable electronic interface between EPFO and other service providers, employers and members for various kinds of services like, mobile applications, ATM based services, payment and collection systems of banks, Aadhaar based authentication and other service delivery, etc.

In order to minimise the manual intervention and curb the scope of fraudulent activities, the EPFO is ceaselessly working towards providing a digitally secured service delivery system to its members through 100%:

- i) Online settlement of Claims.
- ii) Online disbursement of Pension through a Centralized portal.
- iii) Electronic remittance of PF Contributions through multiple Banks.
- iv) Electronic allotment of UAN and seeding it with Aadhaar, Bank account number and Mobile Number.
- v) Last mile connectivity of the employees through Common Service Centres (CSC) of the DIT, Govt. of India.

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भारतीय विमानपत्तन प्राधिकरण
AIRPORTS AUTHORITY OF INDIA

Airports Authority of India



A. INTRODUCTION OF THE ORGANIZATION

Airports Authority of India (AAI) has been constituted as a Statutory Authority under the Airports Authority of India Act, 1994 and came into existence on 1st April 1995 by merging the erstwhile International Airports Authority of India and National Airports Authority with a view to accelerate the integrated development, expansion and modernization of the air traffic services, passenger terminals, operational areas and Cargo facilities at the airports in the country.

B. AREAS PRONE TO CORRUPTION

The Airports Authority of India (AAI) undertakes large procurement and construction activities which are executed through bidding process. The areas prone to corruption fall in the following categories:-

Engineering/Commercial / Land/Operations/NOC/ ATM/Communication/ Personnel/ Law/Training (A&W)/ Technical/ Cargo.

Key stages which are sensitive and prone to corruption

- (a) **Tendering-Pre Award Stage:** There is a need to have well defined procedures and regulation though manuals for uniformity and transparency. These manuals are also required to be regularly updated. The lack of clarity i.e. grey areas in the system/procedures result in discretion and which could be a major source of corruption. In order to make necessary improvements in the existing system through systemic improvements the Vigilance directorate provides feedback to the different directorates as and when noticed either in investigation or during inspections. The suggestions received during the vigilance workshops are the major sources of feedback. These feedbacks enhance stability in system and weed out the grey areas.
- (b) **Tendering- Post Award Stage:** The successful implementation of contract clauses and conditions of contract are the pre-requisites of contract management for its efficiency and efficacy. There is a large human intervention on this part and hence there are possibilities of laxity on the part of both sides i.e. contractor as well as department. The surveillance in this regard is carried out by periodic vigilance inspections of services and CTE type inspection of procurement contracts, monitoring of the contract implementation etc. The gaps/deviations observed are brought out to the knowledge of the concerned directorates. This practice is meticulously followed in AAI.

Major interventions for Preventive Vigilance in key areas

During 2015, 39 Periodic and 08 major works (including 07 CTE Type) inspections/ checking were conducted at different stations. These checks resulted into registration of 02 vigilance cases and recovery of a total amount of Rs. 21,45,421.00/- during the year 2015. During Jan-2016 to Sept, 2016 – 22 Periodic and 09 major works (including 06 CTE Type-Engineering, 02 Commercial & 01 Works) inspections/ checking were conducted. These checks resulted into recovery of a total amount of Rs.8,10,000.00.

Further, during Jan'15 – 18th Sept.16, Seventeen (17) Technical Instructions were issued to streamline the system and procedures in Engineering and Others. Besides

there are 19 systemic improvement issues which have been highlighted for consideration of the Management. Action on these is at various stages.

C. **SYSTEMIC IMPROVEMENTS AND THEIR IMPACT**

1. **e-tendering system – Reverse auctioning:** Initially reverse auctioning were implemented on trial basis. The procedure adopted was to allow reverse auctioning after opening of e-tender. This would start with the L-1 bidder's quote. This had resulted into non-serious bidding by the bidding as there would be another chance available to all bidders.

The AAI decided to open the Tenders after the reverse bidding and lowest among the both is the successful L-1 bidder.

Advantages of this process:

- i) An agency may give its best rates in tender and may not participate in reverse auctioning. These prices are hidden.
- ii) Due to the hidden element, the bidder tends to bid against his bid considering the hidden element.

The reverse auctioning has to start from estimated/justified cost of the bid.

Bottlenecks: In reverse auctioning the forward bids are not allowed. In case of low estimated justified cost tenders the bidding process is not getting kick start. Hence it is suggested that there should be option of one forward bid in reverse auctioning.

2. **Precautions to be taken while using expensive imported/monopoly products:** Methodology has been devised for use and trial of expensive imported/monopoly or proprietary products after proper ground work and cost benefit analysis. For all such proprietary items of specialized nature following procedure is to be followed:

- a. Request for proposal (RFP) to be obtained from the manufacturers of similar product or their authorized Indian representatives/dealers. Details of similar works, client's certificates, test reports etc. are also to be obtained.
- b. Based on technical specifications of more than one manufacturer, a performance based general specifications to be framed.
- c. Before adopting the same on large scale the item to be implemented on a pilot project at a small scale.

Advantages of this process:

- a. There is better price discovery.
- b. There is greater competition which cuts monopolistic practices.
- c. The new product can be tested at small scale before replicating for larger works.

3. **Dealing with same Item/Product available in two different sub-heads of a composite contract:** This issue came up in one of the Vigilance Investigation and matter was taken up with the management. Accordingly, management has decided to deal with the situation in which a contractor quotes different rates for the same items in two or more sub-heads. It has been clarified that in such cases, the lowest of the rates quoted shall be considered for payment.

Further, it has been emphasized that care should be taken by the officers while preparing tender documents to avoid repetition of same item appearing in different subheads. The quantities of the same item under different sub heads are to be clubbed together in a single item in tender BOQ. However, in case of any unavoidable instance, when any item is appearing in two or more subheads for which different rates have been quoted, in such case lowest of the rate quoted shall only be payable.

Advantages of the system:

- a. The system will give a greater clarity to field officers in dealing with such instances.
 - b. There is no discretion to allow payment at different rates.
4. **Dealing with situation where two or more bidders have the same quote:** This issue came up during one of the Vigilance workshop and accordingly matter was taken up with the management. As per the clarification given by the Management, tie breaker SOP rule has been evolved for the tender where two or more bidders have quoted the same price. Clause has already been incorporated in new GCC 2015 and it is under process of approval. The provisions are as under:
- i. In case the lowest tendered amount (worked out on the basis of quoted rate of individual items) of two or more agencies/bidders is same, then such lowest bidders will be asked to submit the revised offer quoting rate of each item of the schedule of quantity for all sub sections/sub heads as the case may be, but the revised quoted rate of each item of schedule of quantity for all sub sections/sub heads should not be higher than their respective original rate quoted already at the time of submission of tender. The lowest tender shall be decided on the basis of revised offer.
 - ii. If the revised tendered amount (worked out on the basis of quoted rate of individual items) of two or more bids received in revised offer is again found to be equal, then the lowest tender, among such bidders shall be decided by draw of lots in the presence of Jt.GM/DGM (Engg)/AGM (Engg)/Sr. Manager (Engg).
 - iii. In case the lowest bidder in his revised offer quotes rate of any item more than their respective original rate quoted earlier at the time of submission of tender, then such revised offer shall be treated invalid. Such case of revised offer of the lowest bidder or case of refusal to submit revised offer by the lowest bidder shall be treated as withdrawal of his tender before acceptance and 50% of his earnest money shall be forfeited.

- iv. In case all the lowest bidders i.e those who have tendered same amount (as a result of their quoted rate of individual items), refuse to submit revised offers, then tenders are to be recalled after forfeiting 50% of EMD of each such lowest bidders. Bidder, whose earnest money is forfeited because of non-submission of revised offer, or quoting higher revised rate(s) of any item(s) than their respective original rate quoted already at the time of submission of his bid shall not be allowed to participate in the retendering process of the work.
- v. Till the time software supports the above provisions, revised offers from tenderers forming the tie shall be obtained and procedure prescribed for “Restricted call of tenders” shall be adopted (for e-tenders).

Advantages of the system:

- a. The system will give a greater clarity to field officers in dealing with such instances.
 - b. There is no discretion left to officers on dealing with such a situation.
- 5. Handling bids with overall zero (0) quote:** This issue was also being reported by certain quarters. Accordingly, safety has been incorporated in e-tendering portal, wherein when a bidder overall quote comes to zero, such bids are rejected and the tenders are evaluated based on other responsive bids.
- 6. Modalities for Joint Venture/ Consortiums:** In one of the Vigilance investigation it came to notice that JV firm was allowed where one of the partners had zero % stakes. Accordingly the matter was taken up with the management and it has been clarified that:-
- i) Joint Venture Company /Consortium of firms is to be permitted only for works costing Rs.50 crores or more.
 - ii) Second Partner or member of JV Company/Consortium has to meet 40% of Pre-Qualification criteria.

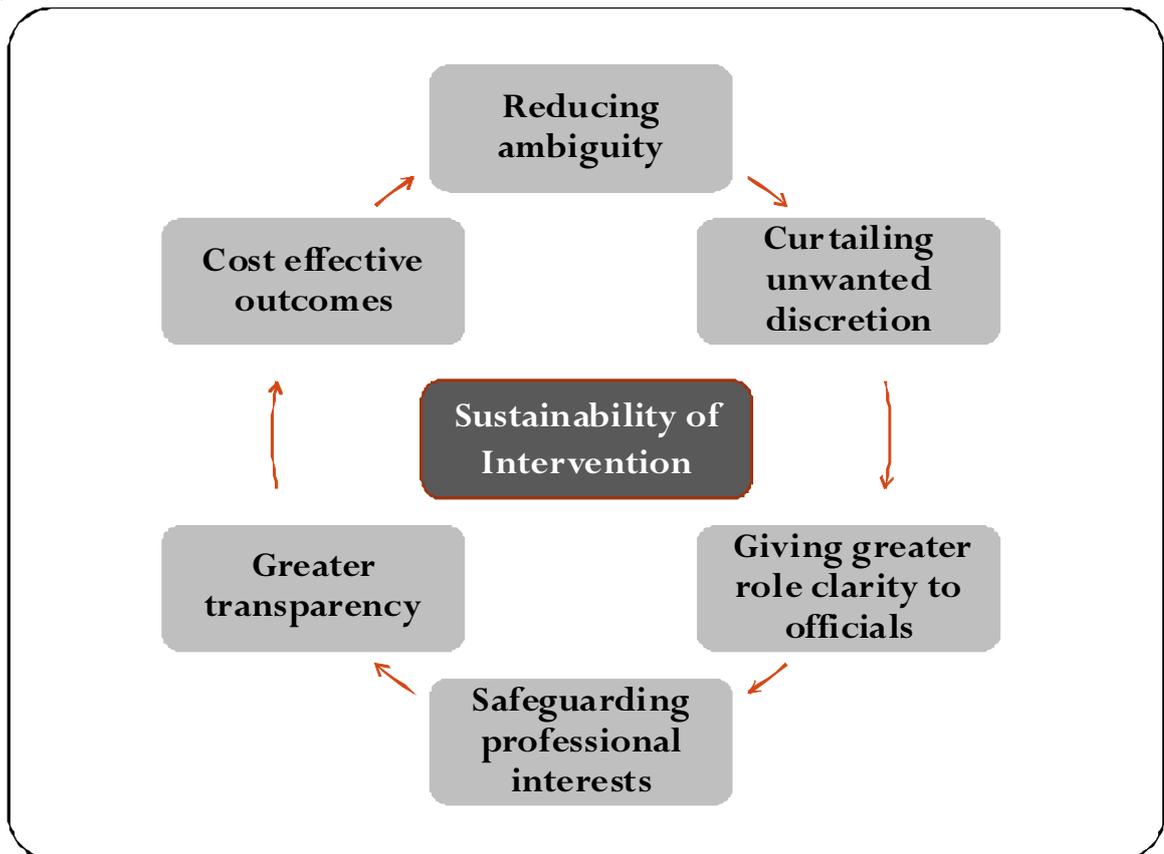
It should be mandatory for lead partner to attend all the Progress Review Meetings and be answerable to all issues relating to Airports.

Advantages of the system:

- a. Only projects above certain threshold will qualify for JV route which will avoid the tendency to unnecessarily resort to this requirement. The small time vendors will not be required to seek a JV partner for works which are below threshold.
- b. Responsibility for quality and meeting other terms and conditions shall lie with the lead partner which will check dubious JV platforms.
- c. Having minimum stakes shall ensure the participating firms have commensurate stakes and JV is not for namesake.

D. SUSTAINABILITY AND WAY FORWARD

AAI is a service organization. Hence, any intervention made for strengthening the systems/procedures would improve the delivery of services in a cost effective and transparent manner. This will help in achieving sustainable growth of the organization. The systemic improvements are predominantly directed towards improving reducing ambiguity, curtailing unwanted discretion, giving greater role clarity to officials, safeguarding their professional interests and for greater transparency. It also provides value for money and cost effective solutions.



The Vigilance Directorate will continue its efforts in embedding more systemic improvements which are sustainable and long lasting. The following steps will be taken to discover more and more areas where systemic changes are required:

- (a) Greater emphasis in involving the concerned Departments in identifying existing gaps. This could be done through feedback and consultative discussions. Part of this exercise is taken up during the Vigilance workshops.
- (b) An in-depth CTE type inspection of works other than Engineering works also. This would help in identifying the loose ends in the pre award stage and the areas where transparency is lacking.
- (c) More emphasis in identifying process and need for process re-engineering while conducting periodic inspections.
- (d) Exploring possible systemic flaws while dealing with each vigilance case and coming up with possible suggestions.

To conclude, systemic improvements could be both transformative and incremental. While any transformative change would bring a greater impact, we should not be oblivious of possible small and incremental changes which could be taken up on a continuous basis and which would have greater cumulative impact. A balanced approach is required so that the changes are embedded with an objective of organizational growth and betterment. An interactive and adaptive system with acceptance for feedback and continuous improvement will be sustainable and long lasting.

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BHARAT DYNAMICS LTD.
(A Govt. of India Enterprise)

Bharat Dynamics Limited



1. **INTRODUCTION OF THE ORGANISATION**

- 1.1 **Company:** Bharat Dynamics Limited (BDL), a Government of India Enterprise, under the Ministry of Defence, was established in 1970. BDL is currently one amongst a few industries in the world having the capability to produce state of the art guided weapon systems. BDL is the prime production agency for all the Missiles developed by the DRDO under Integrated Guided Missiles Development Programme (IGMDP) and the weapon systems developed by the DRDO. The company presently has three manufacturing units located at i) Hyderabad ii) Bhanur, Telangana State iii) Visakhapatnam, A.P.

The core competence of the company lies in absorption of new technology, systems integration and up-gradation of the existing products to meet the specific needs of the Armed Forces. Company expanded its activities to the needs of the Navy, with the production of under-water weapons at Visakhapatnam. The present order book position of the Company is above Rs.13,000 Crore. The sales turnover achieved in 2015-2016 is Rs.3,785 Crore. The sales turnover planned in 2016-2017 is (BE) Rs.4,001 Crore and thereafter BDL is envisaging a multi-fold increase in its operations. The company is also planning to expand its production base to Ibrahimpatnam in Ranga Reddy District, Telangana State and at Amaravathi in Maharashtra.

1.2 **Product Range**

Major products currently manufactured at BDL are:

- **Konkurs-M:** A 2nd generation Anti-Tank Guided Missile (ATGM) manufactured with license from Russian Federation.
- **3UBK-20 (Invar):** A gun launched ATGM.
- **Milan 2T:** A 2nd Generation ATGM.
- **Prithvi:** The indigenous Surface-to-Surface Missile.
- **Akash:** The indigenous Surface-to-Air Missile.
- **Anti-Torpedo Decoy System C-303.**
- **Submarine Fired Decoys** for Indian Navy.
- **TAL :** Advanced Light Weight Torpedo.
- **CMDS:** In-house developed Counter Measures Dispensing System used for dispensing flairs / chaffs for protecting the Air-crafts / Helicopters from incoming IR based / RF based Missile.

Major products being taken up for series production in near future:

- ❖ **LRSAM :** Long Range Surface to Air Missiles (IN)
- ❖ **MRSAM:** Medium Range Surface to Air Missile (IAF & IA)

2.0 **AREAS PRONE TO CORRUPTION**

- 2.1 **Procurement:** Planning and procurement of the required Material as per the indent i.e., Tendering, Evaluation of Bids, e-bidding & placement of the Order.

- 2.2 **Vendor Management:** Selection & Evaluation of capacity / capability of the Vendors.
- 2.3 **Inward Goods Quality Control & Acceptance:** All items procured by BDL are being stored in transit storages initially, and then it is subjected to detailed inspection. Inspection is carried out against prescribed documents, drawings, specifications and accepting the items.
- 2.4 **Civil Works:** Construction of Civil works and carrying out the Annual Maintenance Contracts / works dealt by the Civil Engineering Department. From identification of Civil work to completion of Civil work (Tendering, Technical Evaluation, e-bidding, Awarding of Work Order / Contract, Payment of Bills, Handing over to the User, Extension of Contract, Price Escalation, etc.,) are dealt by the Civil Engineering Department.
- 2.5 **Finance: Bills Payable, LD payments, Release of Security Deposits, etc.:** Payment of Bills, Imposition of L.D. and Release of Security Deposits by Bills Section.
- 2.6 **P&A: Recruitment, CSR works, Foreign Trainings, Promotions:** i) Bringing more transparency in Recruitment and ensuring fair recruitment process ii) Utilization of Corporate Social Responsibility (CSR) funds in a proper manner and ensure accountability iii) Deputation of Executives to various Foreign Trainings/Workshops/ Assignments iv) Favoursim in promotions.
- 2.7 **Medical Facilities:** Identification of Empanelled Hospitals for In-Patient Treatment & Diagnostic Centers for Tests , Procurement of General / Chronic Medicines for issuing to Employees, and Settlement of bills of Empanelled Hospitals.
- 2.8 **Plant Engineering Department:** Awarding of Annual Maintenance Contracts, Purchase of Machines / Equipment and their spare parts, etc.
- 3.0 SYSTEMIC IMPROVEMENTS AND THEIR IMPACT**
- 3.1 After verification of various files on procurement, recruitment, etc., the Vigilance Dept. has suggested the Systemic Improvements in the following areas:**
- i) Procurement
 - ii) Civil Works, Civil & Plant Maintenance
 - iii) e-tendering / e-bidding
 - iv) Recruitment, Departmental Promotions, Absorption
 - v) Engagement of Contract Labour
 - vi) Constitution of Technical Audit Committee
 - vii) Deputing executives to foreign tours /exhibitions
 - viii) Resignation
- 3.2** Due to the effectiveness of the prescribed inspections, regular and surprise checks, audits, reviews etc., by the Vigilance Department in BDL, the following substantial savings had taken place and systems were improved towards achieving effectiveness in the Company:

- i) **Irregularities in Tenders for Akash Infrastructure facilities (Civil Works) on Limited Tender basis:** The Vigilance Department suggested to float Open Tenders instead of Limited Tenders. The Management complied with the recommendations of the Vigilance Department **by resorting to Open Tenders, thereby resulting in savings to the tune of Rs.19.0 Crore (approx.) to BDL. The estimated value of the Civil Works is Rs.110 Crore.**
- ii) **Procurement of TAL Containers:** The issue pertains to the procurement of 26 numbers of FRP Containers for Rs.1,52,10,527/-. The Vigilance Department suggested to procure “Roto Moulded Polyethylene- Container” instead of FRP-Container. The Roto Moulded Polyethylene – Container is cheaper and superior in quality than FRP-Container. Accordingly, the Management constituted a Committee. The Committee visited the concerned Manufacturer and submitted a report to the Management, by which, a **savings to the tune of Rs.63.5 Lakh (approx.) resulted to BDL.**
- iii) **Tree Plantation at BDL-Ibrahimpatnam & BDL-Vizag Unit:** A proposal was initiated for Tree Plantation at BDL-Ibrahimpatnam & BDL-Vizag Unit under Sustainable Development Programme. A discrete enquiry was conducted by the Vigilance Department and a report was submitted to the Management with recommendations for Systemic Improvement which resulted **in savings to the tune of Rs. 46 Lakh (approx.) to BDL.**
- iv) **Procurement of Rugged Lap Tops:** The Vigilance Department suggested to refloat the Tender with e-reverse auction along with redrafted specifications to make it generic without sacrificing the performance. The suggestions were complied with **resulting in savings to the tune of Rs.42,10,724/- to BDL.**
- v) **Procurement of 04 Ton Vibration Machines at BDL-Bhanur:** A Report was sent to the Management wherein it was mentioned that M/s Saraswati Dynamics Pvt. Ltd. (Supplier), tampered with the IGBT device and misled BDL officials. Further, similar type of Machine without IGBT technology was purchased at Kanchanbagh at the cost of Rs. 39,60,396/- from another supplier. However, the same specifications with IGBT technology is costing Rs. 79,43,067/-. The reasonability of the cost estimate for the additional feature i.e., IGBT Technology is to be checked. **Accordingly, the Management cancelled the said Purchase Order.**
- vi) **Irregularities & favoritism in placement of Purchase Orders for Tow Body Project on M/s Tirven Industries:** BDL is the production agency for Tow Bodies. BDL placed a Purchase order to procure majority of Tow Body Components / Sub-assemblies on M/s Tirven Industries (Vendor), after supplying components/ sub-assemblies, the Party understood the technology and complexity of Tow Body assembly. Later, M/s Tirven Industries started directly interacting with the user i.e., Aeronautical Development Establishment (ADE) and submitted the quotes for supply of Tow Body, thus M/s Tirven Industries became a competitor to BDL. The Vigilance department investigated and recommended for initiation of Disciplinary proceedings against the concerned Executive. **The Management initiated disciplinary action against the erring officials and awarded punishment.**

- vii) **Water Coolers:** CTE type examination was conducted by the Vigilance Department for procurement of “High Pressure Reciprocating Oil Lubricated, Water cooled Air Compressor & HP Heatless Drier etc”. There was an inexplicable delay in the entire process of procurement, on the part of the indenting division and initially they adopted to go for Open Tender, subsequently changed to Limited Tender process thus restricting adequate competition. The Vigilance Department advised to go in for re-tendering by resorting to e-procurement. **Accordingly, the Management has gone for re-tender.**
- viii) **Procurement of D-Level Testers:** In this procurement, Vendors were called to quote on Limited Tender basis. At the time of Technical Evaluation, level fielding was not adopted. Advised the Management to go for level fielding during the Technical Evaluation, in other Procurements. **Accordingly, the same was included in the BDL-IMM manual.**
- ix) **Anomalies in the process of recruiting Deputy Manager for Materials Management:** The said case was selected as a case study and projected as proactive systemic improvement where in it was noticed that prior experience in immediate lower grade, experience in relevant areas were not found. **Accordingly, the Management cancelled the advertisement and later on re-advertised with new job specifications.**
- x) **Recruitment of executives on compassionate grounds:** The Management planned to conduct a special recruitment drive with relaxations for five candidates. The Vigilance Department advised that “there is no provisions in BDL R&P rules” for recruitment of executives on compassionate grounds. **Accordingly, the Management cancelled the recruitment process.**
- xi) **Ensured to amend Recruitment Rules- weightage of Interview marks:** The Vigilance Department advised to amend Recruitment Manual/Rules of the Company by incorporating maximum of 15 marks as Weightage for interview in the selection process, wherever written test is involved. **Accordingly, Recruitment Rules were amended.**
- xii) **Tampering of Date of Birth Certificates:** The Vigilance Department scrutinized the Employee’s Date of Birth Certificates and recommendations submitted to the Management to correct the date of births of the individuals as per the original records. **Accordingly, the original dates of births are entered into the concerned personal records and necessary disciplinary action initiated against the erred officials.**
- xiii) **Anomalies in LDP (Land Displaced Person’s) Recruitment:** BDL-Bhanur was established in 1987. Since then the recruitment was going on the pretext of LDP Recruitment. The Vigilance Department verified / scrutinized all the land records of BDL-Bhanur and submitted LDP list to the Management and ensured **that the recruitment of LDP is closed.** Anomalies in recruitment of LDPs were identified which included false age certification, appointment of ineligible candidates etc. **Accordingly, Management took necessary action and LDP Recruitment is closed.**

- xiv) **AMC for Environmental Hygiene Control at BDL-Vizag:** A Report was submitted to the Management pertaining to “Annual Maintenance Contract for Environmental Hygiene Control at BDL-Vizag”. A draft “SOP on Contract Labour (s)” has been prepared which is in compliance with the Statutory obligations / Laws / Acts and BDL Security norms / guidelines & transparency. **Systemic Improvement suggestions are considered by the Management and preparation of SOP is under progress.**
- xv) **Declaration of False Qualification & Medical Dependents:** A Report on “Submission of False Post Graduate Qualification & False Medical Dependents declared by Shri R. Soundara Rajan, Staff No. 30855, DGM” was investigated by the Vigilance Department. **Management has initiated disciplinary action against the erred official and disciplinary proceedings are under process.**

4.0 **SUSTAINABILITY AND WAY FORWARD**

4.1 **Sustainability.**

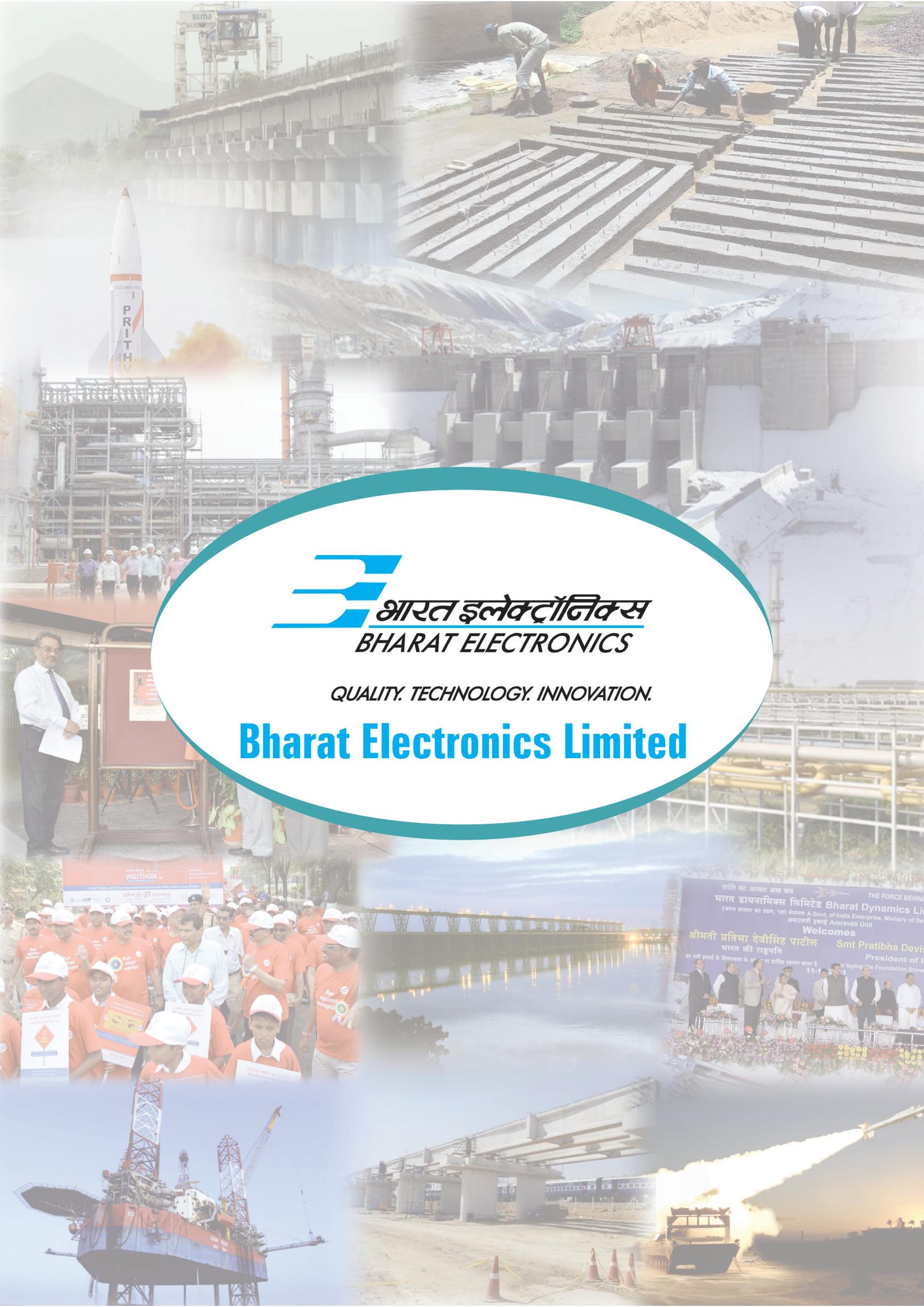
- Regular monitoring of e-Procurement/e-bidding and e-payments.
- Monitoring online vendor registration system with approved vendors list on display.
- Hosting of Integrated Materials Management Manual, Works Manual and Personnel Manual available on BDL web site.
- Display of finalized/awarded tender(s) on web site.
- Continuing the facility to know the status of pending bills by the Suppliers/ Bidders and ensuring clearing of bills on First-cum-First basis (FCFS).
- Issuing systemic improvements in the areas of Procurement, Recruitment, Promotions, Foreign Visits etc.

4.2 **Way forward to proper implementation:**

- Updation of Integrated Material Management Manual & Works Manual at regular intervals in tune with the modern day requirements.
- Usage of Leveraging Technology and reducing human intervention in all the systems.
- Constitution of Technical Audit Teams for Civil construction works and plant services for ensuring proper quality of works as per the technical specification and proper testing procedures etc.
- Proper implementation of ERP system to view, browse and track online supplier’s bills status facility to all the Vendors. Status of the bills is being exhibited in the web site, which the vendor can view directly. The vendor’s payment details are made available in BDL website. The vendors can find the status of their pending bills by the use of user id and password, for better transparency.
- Plan to bring more transparency in recruitment process and do away with the minimum qualifying marks in Interview and Proper Identification/Selection of the posts.

- Bringing more transparency in promotions.
- Plan and minimize issue of Single Tenders and Limited tenders.
- Increase Vendor Registration for more competition and best price and strengthen On-line Vendor Registration / Renewal system.
- Increase the Integrity Pact coverage.
- Sharing of Vendors information among all the DPSUs (Defence Public Sector Units).
- Computerization of issue of Chronic & General medicines to employees and Computerization of In-patient referrals i.e., issue/monitoring of In-patient Referral Form to the concerned Hospitals on line and subsequent submission of bills by them after treatment.
- Monitoring of Risk Management Policy.

* * * * *



भारत इलेक्ट्रॉनिक्स
BHARAT ELECTRONICS

QUALITY. TECHNOLOGY. INNOVATION.

Bharat Electronics Limited

I. INTRODUCTION OF THE ORGANISATION

BEL is a Original Equipment Manufacturing (OEM) with the employee strength of about 9800, which includes 3000 strongly committed Electronic and Design Engineers. BEL has about 350 products in its Product line in the areas of Military Communication, Radars, Naval Systems, C41 Systems. Weapon Systems, Homeland Security, Telecom & Broadcast Systems, Electronic Warfare, Tank Electronics, Electro Optics, Professional Electronic Components and Solar Photovoltaic Systems. Civilian Products from BEL includes Electronic Voting Machines, Tablet PC, Solar Traffic signals and Access Control Systems. Most of the Products developed by BEL are of strategic Defence importance. Being the Leader in the Defence Electronics, the Company enjoys Customer's goodwill. BEL is a profit making company over the past three decades and the current Order Book Position is about Rs. 32000 crores. BEL recorded a turnover of Rs.7521.64 crores in 2015-16 registering a significant growth of about 12% when compared to the previous year.

However, BEL has the following functional weaknesses:

- (i) The Organization has thin Vendor Base. It has about 150 High end Vendors in the Approved Vendors Directory. Sincere efforts were not made to expand this Vendor base through adequate and periodical Vendor Registration process, Market Surveys, web search. This vendor base is further restricted by making the Source code specific to Units. This incapacitated the Company in getting competitive rates for the input materials. This has also been observed by C & AG in its Draft Report submitted to Parliament in the year 2012.
- (ii) The Company is highly dependent on Foreign source for its high cost input materials. In some of the cases these sources are dictated by the Customers. This makes the Single Tender procurement nearly 60%. The Limited Tender contributes to another 35% and the Open Tender is hardly about 1 to 2%. Indigenous source development and Alternate Vendor Development are slow.
- (iii) Most of the Turnkey projects involving costly sub systems are executed in collaboration with the OEMs based in Foreign Countries based on ToT/ Collaboration agreement.
- (iv) The Procurement Procedures are so liberal that they discourage competition and encourage tenders either on Single Tender/Limited Tender Process.

II. AREAS PRONE TO CORRUPTION

BEL, has an exhaustive Procurement Procedures covering procurement of goods and services, Works Contract and Outsourcing etc. However, certain inadequacies are observed in the implementation of various provisions contained in the procedures and in the interpretation of various rules and procedures as detailed below, apart from the functional weaknesses mentioned above.

1. Purchase Procedures

- (i) As per the Purchase Procedures which was revised and released in September 2016, the revised limit for Open Tender procurement in respect of non production materials is Rs.100 lakhs. The earlier limit was Rs.50 lakhs. During the 2015-16, Open Tenders floated was 5.70% of the total

procurement. Not increasing Vendor Base and restricting the floating of Tender enquiries to few Vendors may result in Vendor favoritism, forming of cartels and increasing the Corruption risks in the Procurement.

- (ii) Proprietary Article Certificate (PAC) was not demanded mandatorily in respect of items procured through Proprietary Sources. However, the Purchase Procedure is now revised incorporating the mandatory provision of PAC in respect of all procurement from Proprietary Sources.
- (iii) BEL's existing procedures permit Single Tender procurement in case of items where Source is recommended by Customer or Design Agencies or where the Specified Source is mentioned in the Collaborator Agreement / License Agreement. More than 60% of the Procurements made in the year 2015-16 were single tender procurements due to above reasons. In fact, with Limited and Restricted Tender procurement contributing to another 35%, the Open Tender Procurement is hardly 1 to 2% of the total procurement and resorted to only in respect of Works Contracts.
- (iv) Limited Tenders were floated to only few vendors and the Purchase Procedures allows floating of Tender enquires to minimum three vendors to term it as a Limited Tender. It is observed that in most of the procurement proposals, enquiries were issued only to three vendors, even when more number of vendors were available in the Approved Vendors Directory. Further, no efforts are being made to locate new vendors through proper market study, web research. It is observed that during the year 2015-16, procurement through Limited Tenders was to the extent of about 31% in value.
- (v) Vendor Registration process remains ineffective due to vagueness in the Procurement Procedures. Further, Vendor Registration is not carried out as a continuous process and is resorted to as and when the need arises.
- (vi) The Company is having a Vendor Source code specific to the Unit and these Vendors are not accessed by the procurement agencies of other Units for floating the enquiry. This restricts the Vendor Base further, resulting in non competitive rates for the products tendered. Integration and overarching of the Vendors needs to be done to enable the Units to have access to the all the approved vendors for the Company as a whole for a particular line of item or for a category of the items.
- (vii) The threshold limit for Integrity Pact was fixed at Rs.5 crores with effect from 01-05-2014. As per the threshold limit, about 43% of the total procurement were covered under the Integrity Pact in the year 2015-16. As per CVC guidelines about 90% of the procurement needs to be covered under IP. In order to increase the coverage of Procurement proposals under IP, the threshold limit is now revised to Rs.4 crores with effect from 28-09-2016. It is felt by the Management that any further upward revision of threshold limit will increase the number of Procurement Proposals brought under IEM's review and put considerable work load on the IEM.

- (viii) Obtaining of Digital Signature is to be made mandatory for all approved Vendors to enhance the e-procurement coverage to 100%. The present level e-Procurement is about 60%.
- (ix) The Pre Qualification process and the criteria in line with the CVC guidelines should be clearly brought out in the procedures and followed meticulously for high value tenders and turn key Projects.

2. Works Contracts Procedures

- (i) The Pre Qualification Criteria as mentioned in the relevant clauses of Works Contract Manual are required to be changed in line with the CVC guidelines and should be project/work specific and should be framed in generic terms to enable more participation of vendors. This process is not followed leading to less Vendor participation and resulting in less competitive quotes.
- (ii) The Sub Delegation of Powers for approvals at the different levels of procurement process and tendering process is not clearly defined in the Works Contracts Manual.
- (iii) The amount held towards Security Deposit for performance of the Contract should be in proportion to the Contract Value without any ceiling so that it acts as a deterrent to Contractors from discontinuance of the work or abandoning the Contract in the middle of its execution.

3. Sub Contract Procedures

- (i) The process of estimation of rates for outsourced jobs needs to be formulated for comparing the competitiveness of the rates quoted by the L1 Vendor.
- (ii) The process of Vendor Registration and the process owner accountable for the completion of the Vendor Registration process is not clearly defined in the Sub Contract. The advertised process of Vendor Registration is done once in every two years. The frequency needs to be increased to once in a year so that more vendors can be brought in the Approved Vendor Directory.

4. Recruitment Procedures

- (i) The Government guidelines for reservation against SC / ST / OBC / PH to be incorporated in the procedures for compliance.
- (ii) The parameters for deciding the suitability of the Candidate for a post is to be clearly defined in advance and given to the selection panel and the matrix of assessment to be done both individually and consolidated. This reduces the chances of arbitrariness and the scope for bias and favoritism in the selection process.
- (iii) Outsourcing of the works to be done through a transparent process and the agency to be selected by following the Open Tender Process. There are instances of leakage of question papers, answer keys, non receipt of

Admit cards for the written card for which corrective actions and System improvements have been suggested by Vigilance.

5. Promotion Policy

- (i) The Government guidelines for reservation against SC / ST / OBC / PH to be incorporated in the procedures for compliance.
- (ii) The parameters for deciding the suitability of the Candidate for the promotion is to be clearly defined. This reduces the chances of arbitrariness, personal bias and favoritism in the promotion process.

III. SYSTEMIC IMPROVEMENTS AND THEIR IMPACT

BEL Corporate Vigilance has from time to time reviewed the existing procedures and based on such periodical reviews and facts observed from cases examined/ investigated by Vigilance recommended certain System improvements, as a measure of preventive vigilance. The following are impacts of some of the System Improvements recommended by Vigilance:

- 1. Vendor development meets are being regularly held at each Unit with the objective of :
 - (i) increased participation of Vendors in the tendering process,
 - (ii) Creating awareness among the Vendors on the processes of e-tendering followed in BEL,
 - (iii) Increasing the Vendor Base across the Units.
- 2. Digital Signature is made mandatory for participation in the tendering process.
- 3. Payment to Vendors through Bank Transfer, ECS, RTGS and NEFT.
- 4. Information related to details of payment to Vendors is accessible on the website.
- 5. On Line Vendor Registration process is enabled through BEL website.
- 6. Contracts awarded on Single and Limited Tenders basis are posted in the Company's website to enable prospective Vendors to access the information and gaining entry in the Approved Vendors Directory.
- 7. The Vendor Directory is posted in BEL website.
- 8. To ensure transparency in procurement procedures, the company's Procurement Policy and Manuals are posted on the Company's website.
- 9. Periodical review meetings are being held with the Unit and SBU Heads to review the action taken on reduction in Single Tender procurement, increase in Open Tenders, increasing the Vendor Base, job rotation and other Vigilance related issues.
- 10. Development of Alternate Vendors for items procured on Single Tender basis due to certain unavoidable reasons like items of Proprietary nature, OEM / Designer approved, Customer recommended etc.
- 11. Classification of inventory into Vital and Non-Vital items and drawing action

- plan for procurement of non-vital items through Open Tender by consolidation of the requirements.
12. Job rotation of employees posted in Sensitive Posts is strictly done after completion of three years.
 13. Sharing of Best Practices among all Units.
 14. System / process improvements study and sharing the outcome with other Units and SBUs.
 15. Biometric Attendance has been implemented in all the Units covering both the employees and the Contractors to prevent the entry of unauthorized person, proxy punching.
 16. System of conducting Periodical and Surprise checks and the discussion of observations and outcomes in the Vigilance Committees set up at each Unit and SBU and taking remedial and corrective action.
 17. Formulation of Complaint Handling Policy, Whistle Blower Policy and Corruption Risk Management Policy and posting of the same in Company's website.
 18. Formulation and implementation of Corruption Risk Management Policy, identification and assessment of Corruption risks in Corruption Prone areas, maintenance of Risk Registers and implementation of corruption risk mitigation measures. Committees were constituted in each of the Units and SBUs to identify the Corruption prone areas, assess the risks and identify the measures to eliminate/mitigate the risks.
 19. On line Complaint Management System implemented.
 20. Training Program on Vigilance Awareness for the Employees of BEL. Orientation program for the newly promoted and Entry level executives, Probationary Engineers and Accounts Officers.
 21. Training program on specialized topics in coordination with agencies like, CBI Training Academy, Ghaziabad, Transparency International India, Ernst & Young and other professional institutes.
 22. Maintenance of Agreed List and Doubtful Integrity List in coordination with CBI, Anti Corruption Branch of the region concerned.
 23. Display Boards at prominent places to create awareness among the stakeholders to make protected disclosures and complaints with complete disclosure of their identity.
 24. On line filing of Annual Property Returns by the Executives and employees.
 25. Employee Self Service is implemented to facilitate employees to record their performance against the targets fixed, leave applications, medical claims, viewing of pay slips and income tax statement. ESS enables paperless transactions and ensures transparency in the information furnished to employees.

26. File Life Cycle Management which facilitates creation of files in the System and movement of files at difference levels of concurrence and approving authorities.
27. Installation of Closed Circuit TVs in Sensitive areas to monitor the movement of undesirable persons.
28. Payment of Wages to Contract Labour through Bank Transfer.

IV. SUSTAINABILITY AND WAY FORWARD

The Preventive Vigilance measures being implemented have been linked to each of the processes and incorporated in the relevant manuals and procedures and hence can be sustained in the long run.



A Mini Ratna and
An ISO 9001:2008 Company

Mishra Dhatu Nigam Limited

INTRODUCTION OF THE ORGANIZATION

Midhani – a Mini Ratna, ISO 9001:2008 & AS 9100 C company with modern metallurgical facilities and high degree of technical competence for manufacturing a wide range of Super alloys, Titanium, Special Purpose Steels and other special metals and alloys meeting the stringent international standards for application in Aerospace, Defence, Atomic Energy, Power Generation, Chemical and other hi-tech industries.

The mission of MIDHANI has been “To achieve self-reliance & eminence in the manufacture of alloys, products and components for strategic and critical sectors – Defence, Space & Atomic energy - as well as general engineering”.

Midhani employs its highly integrated and flexible manufacturing facilities to produce a wide variety of special metals and alloys in various mill forms such as Ingots, forged bars, hot rolled sheets and bars, cold rolled sheets, strips and foils, wires, castings and tubes.

AREAS PRONE TO CORRUPTION

A comprehensive risk management policy against corruption risks has been formulated identifying corruption risks associated with various functions of the organization. Areas perceived to be having high risk are monitored closely. As an example, corruption risks identified in the area of procurement and various procedures/checks in place are shown in Table 1. Similarly other areas prone to corruption in which risks are identified are HR, Civil Works, Central Stores, Finance, Marketing, Scrap Management and Quality control.

Table 1. Corruption risks and checks/controls presently in place in the area of Procurement

Sl. No.	Title of the Identified Risk	Description and Possible causes of the Risk	Controls presently in place
1	Policy Deviations.	Deviation from Purchase Policy without explicit record of justification, failure to ensure compliance with all the requirements of Policy & Procedures.	Scrutiny by recommending / approving authority Internal and External audits with respect to Delegation of Power (DoP), Random Scrutiny by Vigilance
2	Lack of Competition / Low tender response.	Any tender that resulted in less than three acceptable offers falls under this category. Insufficient exploration of market, insufficient publicity, restrictive specifications, lack of vendor development efforts and ambiguity in tender conditions are some of the reasons.	Extension of tender opening date, refloating of tenders, scrutiny of low tender response files by Vigilance
3	Price Negotiations & Price Negotiation	CVC time and again suggested not to resort to price negotiations except in exceptional circumstances. Justification for conducting negotiations to be	DoP defined separately for approval of PN proposal, constitution of PNC as

Sl. No.	Title of the Identified Risk	Description and Possible causes of the Risk	Controls presently in place
	Committee (PNC)	provided in line with CVC guidelines. Minutes of PNC to include major arguments of both sides.	well as purchase proposal.
4	Delays in the closure of tenders / award of Contract	Delays leading to expiry of validity period and re-tendering.	Internal 'Management Information System' (MIS) to monitor status of indents. Scrutiny by Vigilance.
5	Payment to Suppliers / Contractors	Payment delays beyond contract terms.	CMC monitoring of CSRV clearance Pending payments report from ERP. Scrutiny by Vigilance.
6	Raising Indents	Lack of diligence in: Price estimation. Annual consumption details & projected requirement. Restricted specifications. Acceptance criteria. Source selection. Repetitive Procurements. Evaluation of bids. PDI and CSRV Clearance.	Scrutiny by recommending / approving authority Approval of designate authority for additional sanction Scrutiny by Vigilance.
7	Cartel formation / Bid rigging	Cover/Complementary bids, bid suppression, bid rotation etc. are some forms of bid rigging Equity among suggested sources	Scrutiny by purchase officer and Indentor Surprise checks by Vigilance including market survey
8	Tender Opening irregularities	Discretion in tender due date extension Lack of diligence in tender opening	Surprise checks by Vigilance

General vigilance activities in the area of procurement are as follows:

1. Scrutiny of high value purchase files, single offer files etc. at random, based on factors such as area of operation, indenter, source information, intelligence etc.
2. Rotation of officials.
3. Data verification for delays in processing payments.
4. Trends from ERP on previous purchase data, quantum of procurements, actual consumption patterns etc.
5. Surprise checks in tender opening, market survey, inspection of receiving materials.

SYSTEMIC IMPROVEMENTS AND THEIR IMPACT

1. Leveraging technology in operations such as the ones listed below have eliminated scope for manipulations and corruption in those areas.
 - a) ORACLE ERP implemented for all core business processes of the Organization
 - b) On-line Vendor Registration
 - c) E-Procurement
 - d) E-Recruitment
 - e) Computerised File Tracking System
 - f) E-Payment
 - g) Uploading of tenders & Award of Contracts on website
 - h) E-Auction through MSTC for Scrap disposal
 - i) CC TV surveillance, Biometric access controls
2. Presently as per the purchase policy, indents beyond an estimated value of Rs 25 lacs are procured against open tenders whereas lower value tenders are processed as Limited tenders. However, with established e-procurement route, the percentage of open tenders has been increased by reducing the threshold value for open tendering mode.
3. Inadequate tender response in open tenders was observed to be an area of concern. Reaching out to all genuine vendors through individual communications and publishing tenders on Government tender portals such as tenders.gov.in, central public procurement portal (eprocure.gov.in) etc. is being ensured diligently for better response.
4. Standard operating procedure prepared for loading of various cost components of imported / hybrid offers to arrive at landed cost has eliminated ambiguity while arriving at L1.
5. In view of the rise in employee turnover of management trainee recruits, the practice of conducting Exit interviews has been introduced to identify areas that may need improvement to ensure effective engagement of employees.
6. The concept of outsourcing and vendor development has resulted in increased volume of work that is being outsourced. A need was identified to protect the intellectual property of the organization while tendering of such works and accordingly guidelines were issued with respect to providing process details to participating vendors.

SUSTAINABILITY AND WAY FORWARD

Each important function of the organization is carried out in line with Board approved policy/manual whereas such manuals are periodically revised or amended considering the changing environment and special requirements to the changing times.

Delegation of Powers, HR Manual, Purchase Policy, Works manual, Enterprise Risk Management, Cyber security, Corporate Social Responsibility, Whistle Blowers Policy are some of the major policies that are in place. Vigilance department follows Special Chapter published by CVC and various guidelines issued from time to time.

Providing a framework for various controls and constant observation and updation of such a framework is believed to be the most logical solution of the problem. Any observation, incidence of corrupt activity should bring in appropriate controls in the practices/systems being followed.

Existing preventive measures undertaken by Vigilance:

- a) Routine checks of critical procurements, recruitments
- b) Surprise checks in all risk prone areas
- c) Identification and rotation of officials from sensitive areas
- d) Use of technology as a tool to improve transparency and curb corruption
- e) Watch on significant trends in annual property returns & private foreign visits
- f) CTE type examination of important areas of procurement & works
- g) System improvement advices
- h) Quick action on complaints
- i) Creating awareness among employees through In-house magazine, Lectures, Questionnaires, CVO interactions with various departments etc.

Periodic structured meetings are conducted with Chairman & Managing Director to improve vigilance administration and to ensure compliance. Brief on vigilance work is placed periodically during Board meetings for the appraisal of Board of Directors.

Regular interactions between vigilance officers and executives of the organization are promoted for better compliance with extant rules and procedures.

Leveraging technology options are continually improved to further transparency and accountability.

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NHPC Limited

1. **INTRODUCTION OF THE ORGANISATION**

NHPC was incorporated on November 7, 1975 as a private limited company under the name “National Hydroelectric Power Corporation Private Ltd”. NHPC was converted to Public limited company with effect from April 2, 1986. The name of the company was changed to its present name “NHPC Limited” in 2008. Its vision is **“To be a global leading organization for sustainable development of clean power through competent, responsible and innovative values”**. NHPC is a Schedule-‘A’ Enterprise and a Mini Ratna company with 74.60 % equity owned by Government of India. With an Authorized share capital of Rs. 15,000 crore and an investment base of over Rs. 55166 crore, NHPC is ranked as a premier organization in the country for development of Hydropower.

2. **AREAS PRONE TO CORRUPTION**

The remoteness and inaccessibility of the project locations pose a challenge to both line managers as well as vigilance officers at Corporate Office and Units, since it provides ground for malpractices.

The most common area prone to corruption is the award and execution of works and purchase management. A number of guidelines as well as documented procedures have been issued yet this is one area which is susceptible to corruption as it provides a regular interface with the outside parties seeking illegitimate award against a small favour. Another such area is inventory management. All efforts for transparent purchase are hinged on this aspect as it is the first and last leg of the procurement cycle. It involves a correct and judicious estimation of requirement including necessity, quality and quantity. It also involves quality assurance at the time of delivery.

Since the State run power distribution companies / electricity boards are the Corporation’s largest customers, there is little scope for corruption in the sales and revenue realization, though it cannot be completely ruled out. Since now, the distribution is being handed over to private firms as well, even this area is becoming potential source of corruption.

Personnel management, on the other hand, is known to have been affected by corruption since it deals with employees and their benefits. Further, financial control involving funds management has always been considered a potential area for corruption.

3. **SYSTEMIC IMPROVEMENTS AND THEIR IMPACT**

NHPC has been in existence for more than forty years now. In this long period, the collective wisdom and experience have paved way for a system which is robust and time tested. A number of checks and balances have been built in the various processes. Then there is constant monitoring both centrally and at projects / power stations/units. Some of the steps taken / adopted by the Corporation for identifying and improving the systems:

- (a) Increased Compliances

The year 2009 is significant for the Corporation, as its shares got listed in

stock exchanges in India. This has led to many new compliances. The Annual Report includes, among others, a Corporate Governance Report. There is an Audit Committee of Board level Officers which continuously monitors the processes and lapses therein as reported by different auditors – Internal, Government and Statutory. Further, policies like Fraud (Prevention and Detection) Policy, Whistle Blowers Policy are also in place.

(b) Leveraging Technology

NHPC has adopted various measures of leveraging of technology in day to day working particularly those involving financial transactions/ matters. This has immensely helped in making system transparent, fair and error free as it has minimum requirement of manual intervention and leaves very little scope for discretion.

- In NHPC all application forms / proforma are available on the NHPC's intranet site and there is an electronic system of filling and submission of forms. Further, ERP (Enterprise Resource Planning) and ESS (Employee Self Service) have been implemented and all payments to vendors, contractors and employees are made through electronic system only to their bank accounts. Further in case of labour oriented works, the wages are being paid directly to the workmen's bank account by NHPC.
- Recording of attendance in the Corporate Office and most of the Projects / Power Stations is done by an electronic system (conferring the entry / exit by matching the IRIS /FPR of the eye/ finger print of the concerned person with the already recorded IRIS/ finger print of the person). Monthly payment of salary is made as per the attendance records shown electronically and verification / regularization of any absence tour / leave by the senior officers of the concerned electronically.
- All the tender notices, Notice Inviting Tender (NIT) and Bid documents are being put on the NHPC website regularly by the respective Projects and Information Technology & Communication Division, NHPC.
- A Vigilance corner has been created on the NHPC Intranet where all the circulars and guidelines relating to Vigilance are available for all the employees of Corporation.
- A Local Area Network (LAN) based system for Annual Property Returns was developed under client-server architecture, which has been redesigned and made operational for web-based system to facilitate on-line submission of Annual Property Return by the employees. Now, Annual Property returns are being submitted on-line by the employees.
- As a part of transparent procurement system and in compliance with guidelines issued from M/o Power and CVC, NHPC has opted e-procurement solution across the organization and all works / purchases/ services contract of value over Rs. 2 lacs are being awarded through e-tendering only.

(c) Examination of Existing Procedures

The process of examination of a case in Vigilance, helps the concerned officers in identifying the inherent flaws in the practices being followed. At the same time certain practices which can give rise to non-transparent working and even corruption are brought to light enabling Vigilance Division to take suitable actions and issue guidelines for systemic improvement. During the reviews undertaken in recent times, the following areas have been examined and guidelines issued thereon:

1. Custody of bank guarantees received from bidders/contractors and maintenance of relevant records for timely renewal thereof, if required.
2. Transit insurance of goods procured.
3. Deployment of vehicles at Units as per laid down norms.
4. Contract management – Extension of Time, extension of validity of bank guarantees, levy or otherwise of liquidated damages etc.
5. Contract Management – Abnormal delay in award of works, non-compliance of laid down procedures, non-fulfilment of due diligence by the Tender Evaluation Committee (TEC), irregularities in procurement of goods, viz. Procurement of goods on Proprietary Article Certificate (PAC) basis, Non-compliance of tender conditions during tender evaluation.
6. Lack of control over Fuel Consumption by vehicles and DG sets, non-reconciliation of accounts with suppliers.
7. Stores Management – guidelines issued for greater transparency and accountability in Stores management.

(d) Identification of Sensitive Posts

Based on working/ public dealing involved in various divisions, the posts of officers working in those divisions are classified as sensitive or non-sensitive. A centralised exercise is then done in NHPC for notifying divisions and level of officers working in those divisions as sensitive posts across the various projects/ locations/ regional offices and Corporate Office of NHPC. HR Division then routinely transfers officers posted in sensitive posts as per guidelines of CVC in 3 to 5 years keeping in view the organisational requirements and suitability. This is also an important preventive vigilance step in curbing development of vested interest due to long stay of officer in a particular sensitive post.

4. **SUSTAINABILITY & WAY FORWARD**

Major system improvements proposed to be undertaken in future:

- (a) In order to ensure actual consumption of high value consumables used in major civil works – like cement grouting, epoxy applications etc. - which cannot be verified after completion of the works, necessary guidelines have been issued for proper receipt and record. These guidelines provide for a real time monitoring of receipt, issue and bonafide consumption of such consumables. It is proposed that since NHPC has implemented Enterprise

Resource Planning (ERP) solution, possibility of such real time monitoring through ERP can be explored.

- (b) Presently the record of work done, deviations, hindrances etc. are being recorded in ERP system. Efforts are also being made to prepare system generated billing for works. While this shall result in increased transparency in contract execution, a possibility of real time entry of the record of work in the ERP system can also be explored.
- (c) In order to have a better contract management the following may be implemented:
 - (i) Addressing the uncertainty/ risk factors adequately to the extent possible to avoid delays and subsequent claims.
 - (ii) Preparation of realistic construction schedule keeping in view the resources, construction methodologies, sequencing of activities, clearly identified predecessors/ successors activities, constraints and critical activities.
 - (iii) Interface activities between Civil, Electro-Mechanical (E&M) / Hydro-Mechanical (HM) contract packages and their activity durations may be considered on realistic terms and based on past completed projects/ specific natures of project for framing construction schedule.
 - (iv) It is observed that Tenders for E&M/ HM contract packages may sometimes be invited merely by appending a Bar Chart schedule, which does not reflect all interface activities, especially activity durations. Thus, construction schedule may be finalised based on the inputs and discussions held at pre-bid stage with concerned agencies and accordingly interface activities may be provided in respective schedules to avoid complicity at later stage.
 - (v) Claim valuation principles as well as procedures are to be stipulated in the tender document/contract agreement.
 - (vi) Claims, if at all preferred by contractors, if found justified may be processed and finalised in a time bound manner based on the contemporary records to avoid time taking process of adjudication/ arbitrations. Claim settlement mechanism may accordingly be clearly reflected in the contract.
 - (vii) The officers responsible for execution of works at various levels (especially at lower levels) who have to deal with contractual matters may not be well acquainted with the contract provisions, rules and procedures, which ultimately creates complications subsequently. Thus, the officials involved in execution of works and dealing with the contract need to be well acquainted and well versed with the contract management. Accordingly, suitable learning/ training process may be put in place.

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Hindustan Copper Limited

I. **INTRODUCTION**

Hindustan Copper Limited (HCL), a Public Sector Undertaking under the administrative control of the Ministry of Mines, was incorporated on 9th November, 1967. It has the distinction of being the nation's only vertically integrated copper producing company encompassing mining, beneficiation of copper ore, smelting, refining and also casting of refined copper metal into downstream saleable products.

The Company markets copper cathodes, copper wire bar, continuous cast copper rod and by-products, such as anode slime (containing gold, silver, etc.), copper sulphate and sulphuric acid. More than 90% of the sales revenue is from cathode and continuous cast copper rods.

The Company's Corporate Office is located at Kolkata. The mining projects of the Company are – (i) Malanjkhand Copper Project, Dist. Balaghat (M.P.); (ii) Khetri Copper Complex, Dist. Jhunjhunu (Rajasthan) and (iii) Indian Copper Complex, Ghatsila, Dist. East Singhbhum (Jharkhand). Indian Copper Complex is having operating smelting and refining plants. Finished products are manufactured at Taloja Copper Project, District Raigad (Maharashtra). The Company has recently acquired the Gujarat Copper Project at Jhagadia, District Bharuch (Gujarat). The Company is also having Regional Sales Offices at New Delhi, Mumbai and Bengaluru.

The turnover of the Company is Rs.1068.95 crores with net profit at Rs.43.56 crores. The manpower strength in the Company is 3252 (Group A : 561, Group B 71; Group C&D 2620).

II. **AREAS PRONE TO CORRUPTION**

Three major areas have been identified in HCL as most sensitive based on past records:

- (i) Procurement & Contract
- (ii) Recruitment
- (iii) Marketing Finance

III. **SYSTEMIC IMPROVEMENTS AND THEIR IMPACT**

Procurement of Goods & Services:

1. The HCL "Procurement of Goods & Services Manual (Policy & Procedure) 2014" was finalized in December 2014, with inputs and suggestions from Vigilance. The same has also been hosted in the Company's website for reference of all concerned. As such an attempt, at defining the Procurement process, has been made in HCL for the first time, Vigilance Department has also suggested to the Management to undertake review of the Manual with feedback from all concerned, to further streamline the procurement process.
2. All guidelines of CVC regarding procurement practices, as are being hosted in CVC website, are brought to the notice of ED (Materials & Contracts), Corporate Office for dissemination amongst all concerned. In addition, important CVC guidelines such as on "Acceptance & Verification of Bank Guarantee" are also being published in the Company's in-house journal for wider dissemination.

3. The extracts of CVC's Annual Report containing the observations made while conducting CTE Inspections and also system improvements recommended are brought to the notice of appropriate authorities in HCL for exploring feasibilities for their implementation.
4. CTE Type Inspections are conducted and any procedural deficiencies noted, while conducting CTE Type Inspections, are brought to the notice of the concerned officers through the Unit Head, with an advice to strictly abide by the provisions of the Procurement Manual. Similar actions are also taken in case procedural mistakes are encountered while conducting verification of complaints. However, for gross violations, which are considered to have vitiated the procurement process and are belying the ethics of transparency and probity in public procurement, punitive actions are the only way. CVC's latest instructions on conducting CTE-Type Inspections, as hosted in CVC's website, has been disseminated amongst all Vigilance Officers with instructions to undertake inspections as per the set guidelines.
5. Several instructions have been issued regarding expeditious refund of EMD as also ensuring deposition of Performance Bank Guarantee as per tender provisions. Punitive actions have also been initiated for violation of the laid down provisions in this regard. The requirement of initiating tendering actions, well in advance, has been stressed to avoid emergency purchases / extension of contracts due to non-finalisation of subsequent contract.
6. Tenders hosted in Company website are scrutinized randomly and any deficiencies noted are brought to the notice of the competent authorities in HCL with appropriate advice in this regard. Advices of CVC are also reiterated periodically along with suggestions to strengthen systems wherein scope for corruption is noticed. Such advices issued periodically include:
 - Adopting measures like payment through ECS / EFT – The same has been reiterated by Corporate Finance that the departments forwarding bill(s) of a firm must ensure that all requirements enabling ECS / EFT payments like bank mandate form, supplier ERP Code, etc are complied with as per extant procedures.
 - To prevent financial exploitation of unskilled contractual workforce, Director (Personnel)'s attention was drawn to several labour (including Security) contracts prevalent in HCL Units with the suggestion that the concerned HCL authorities dealing with such contracts should be properly sensitized about the contract terms & conditions regarding payment of wages and other benefits to the workforce and deposition of PF should be strictly ensured. In this connection, measures like deposition of payment in Bank A/c by the concerned contractor, submission of PF deposition challan with RA Bills, checks to ensure that payment to labours and their PF deposition is commensurate with the contract terms, etc. were suggested to be looked into. The above suggestion has been circulated to all units by Corporate HR Department with the directive to ensure its implementation.

- The advice of the department to issue a general Circular to all HoDs of M&C Departments to sensitize the dealing officials that all important clauses of the NIT, particularly the clauses having financial implications such as payment terms, need to be properly reflected at the time of preparation and release of Purchase Order / Work Orders, has been complied with by ED (Commercial).
- The advice of the department, regarding, the need to conduct inspection as per terms specified in the Purchase Order and inform the suppliers about the test results, immediately on receipt of the same, have been complied with by ED (Commercial).
- The M&C Department was sensitized regarding use of proper specifications during procurement to avoid using brand names. The necessity to broaden the vendor base to ensure more competitive participation in the bidding process has also been stressed. In this context, a copy of O.M. No.12-02-1-CTE-6 dated 17.12.2002, issued by CTE Wing of CVC on PQC, was brought to the notice of the Director (Ops.).
- It has been suggested to include a Standard Clause in the tender document stating that tenders will be opened on the next working day at the scheduled hours in case the last date of receipt of tender is declared to be a holiday, for any reason whatsoever. Same has been reiterated by the Management to all concerned.
- It was brought to the notice of the Management that as substantial expenditure is incurred on vehicle hiring, the issue needs to be accorded due attention with regard to requirement, proper tendering process, record management, processing of bills etc. so that company's interest is protected and fair play, transparency in the process is ensured. The suggestions pertaining to hiring of vehicles also reiterated by Director (P) while stressing the importance of surprise checks and review of system & procedures in this regard.
- Suggestions were provided pertaining to web hosting of tender for medicines purchased by Company Hospitals. With the objective to streamline handling of medicines, certain measures adopted by SAIL have been brought to the notice of Director (P) for consideration to be made applicable, if feasible. The relevant Circular No.H.11014/7/2013-DFQC dated 09.01.2014, issued by Ministry of Health & Family Welfare, regarding promotion of generic drugs has also been brought to the notice of Director (P).
- On random scrutiny of Tender Enquiries from HCL website, doing away with restrictive / vague Pre-Qualification Criteria and avoiding human interface to the extent possible have been stressed. It has also been noticed in one of these tender enquiries that delivery schedule, payment terms etc. have not been specifically elaborated and same has been brought to the notice of Management for appropriate measures. On inspection of certain tender enquiries, MCP Unit has been made aware of the necessity

for pre-disclosure of splitting ratio as per extant CVC guidelines and incorporation of e-payment clause in the tender documents.

- The need to ensure minimum human intervention / interaction in the tendering process has been stressed.
7. While processing a complaint, it had come to the notice that the material description was not properly specified in the Company's ERP System leading to misunderstanding / misinterpretation by vendors. The same was brought to the notice of the concerned department of MCP Unit for reviewing the material specification in conjunction with Purchase Department so as to avoid such recurrences in future. We have since received the Compliance Report from MCP Electrical Department that the material specifications for 80 such items have now been amended.
 8. Whereas the purchase of Markin Cloth for disbursement amongst the workforce deployed in the mines and plants of HCL, has always been a sensitive area giving rise to several complaints in the past, a Procurement Policy for the purchase of Markin Cloth was formulated by the Corporate M&C Department in consultation with Vigilance Department for uniform application across all Units of HCL. In the said policy, stress has been laid on procurement of markin cloth with standardized specifications (with proper tolerance limit) to be adopted across all Units of HCL, to avoid subjective assessment of quality by the Welfare Committee. Procedure for testing and acceptance of material has also been specified. It has been brought to the notice of the Management that the PQC should not be made too stringent, so as to allow widest possible participation.
 9. During visit to different projects and offices of HCL, extensive interactive sessions are held with various executives to sensitize the officials regarding the need to maintain probity and transparency in public procurement and adopt preventive vigilance measures. Various guidelines of CVC particularly related to procurement are discussed along with relevant case studies to clarify the issues. The concerns and queries of the executives are adequately addressed. The executives are appraised of CVC website and advised to be acquainted with the guidelines issued by the Commission. It is emphasized that the line executives are better placed to identify and plug the various loopholes that are observed in their area of work and are therefore better placed to suggest and implement preventive vigilance measures.
 10. A Bulletin highlighting the DOs & DON'Ts in Public Procurement has been published and disseminated amongst all.

Recruitment Issues

1. The HCL (Executives) Recruitment Policy & Rules were reviewed thoroughly in consultation with the Administrative Ministry and HCL Board of Directors and several ambiguities and discretionary provisions of the said Rules were eliminated.
2. With the review of the HCL Executive Recruitment Policy & Rules, specific complaints pertaining to alleged nepotism by discretionary application

of rules, requiring initiation of Disciplinary Proceedings in the past, have been largely eliminated. However, even then close watch is maintained on the recruitment process and any deficiencies noticed in the same are immediately brought to the notice of the Management along with other necessary suggestions to further strengthen the process. Some such suggestions provided in the recent past include:

- Requirement for ensuring proper verification of various certificates submitted at the time of recruitment.
 - In a complaint pertaining to recruitment examinations, Director (P)/ HCL has been suitably apprised of the complaint with an advice to ensure that preventive measures during such examinations are further strengthened. The suggestions have been noted by the Director (P) / HCL.
 - With the introduction of online applications for appearing for written tests for recruitment purpose, several instances came to notice, wherein candidates called for interview were not allowed to appear as they did not have the requisite post-qualification experience. In the instant cases, it was observed that no additional facts emerged from the document verification at the time of interview and their candidatures could have been rejected if careful preliminary scrutiny was undertaken prior to issue of Interview Call Letters. It was also noticed that whereas the “post-qualification experience” was taken into account for eligibility consideration, the on-line application format required the candidates to fill their complete experience and not post-qualification experience. It was suggested that such occurrences can be minimized if preliminary scrutiny of applications are undertaken prior to issue of Interview Call Letters and only those candidates, who prima-facie fulfill the eligibility criteria, be called for interview..Director (P) has informed that the suggestions have been noted for action in future.
 - The DOPT OM No. 14024/I/2016-Estt.(D) dated 13.06.2016 regarding publication of recruitment advertisements in Employment News and hosting the same in Government Portal was brought to the notice of Director (P) / HCL, to take appropriate action as warranted by the said OM.
3. Although, the recruitment process of executives have been considerably streamlined by adopting the above preventive measures, the recruitment of workmen mainly undertaken in the Projects, remain an area of concern. To prevent / minimize irregularities, the Vigilance Department made suggestions which have been circulated by the Corporate HR Department to all Units for its strict compliance. Some of the important suggestions include:
- The number of vacancies against which applications are being called along with approval of Corporate Office for the same should be

clearly recorded in the noting at the beginning of the recruitment process.

- The advertisement for recruitment should strictly be in accordance with the R&P Rules and if any deviations are needed to be incorporated under exceptional circumstances, the reasons for same need to be properly recorded. As the R&P Rules is a Tripartite Agreement between the Management, Recognised Union and the Labour Commissioner, all such deviations need to be agreed to at least at the Bipartite level.
- The R&P policy of MCP was formulated about 25 years back and with passage of time, some of the aspects may need to be reviewed particularly keeping in view the expansion programme that is envisaged.
- Under no circumstances, the advertisement as published should deviate from the notification provided at the Employment Exchange. Publication of the recruitment advertisement in the Employment News and Rozgar Samachar to be made mandatory in all Units of HCL.
- The number of posts reserved for SC/ST/OBC/PWD etc. should be clearly disclosed at the time of Employment notification / publication of the advertisement.
- Advertisement for recruitment should be in standard format, with guidelines pertaining to all documentary evidences that need to be submitted in support of the applicant's candidature. The cut off date for calculation of age needs also to be mentioned.
- The applicants may be asked to submit their applications on line, wherein the application will be registered on the system, with post copy confirmation of the application. All the applications received from any source – through post / e-mail / fax / hand delivered should be entered in a register with date of receipt. Under exceptional circumstances (e.g. applications received in Central Despatch within due date but not delivered to HR within due date; extraordinary postal delay wherein an application posted well within the time frame reaches late, etc.), in case late receipted applications are to be considered, the same should only be with the approval of the Appointing Authority with properly documented reasons for such consideration. However, in case it is felt necessary to entertain late applications due to non-receipt of sufficient applications within due date, the same should only be through advertisement for extension of date of submission of applications published minimum through similar methods as adopted in the original advertisement.
- For screening of initial applications, the information needs to be entered into a work sheet with the supporting documents. All

contentious issues need to be documented for decision of the Appointing Authority or any other authority / committee as deemed fit for the purpose by the Appointing Authority, whose recommendation will be subject to approval of the Appointing Authority. Soft copy of all processes should be uploaded in database. The name of candidates who are short listed after screening should be uploaded on the company portal.

- In case of any doubt regarding the nature of experience of the candidate, etc. the same should be clearly recorded in the final screening sheet so that the Selection Committee may seek clarification on the same during the interview to their satisfaction.
- Evaluation of answers in a written examination should be against a standard answer script prepared prior to the interview by the person setting the questions. Questions may be set by different authorities to prevent leakages. Further, executives entrusted with setting of questions should be excluded from being members of the Selection Committee. The answer scripts may also be scanned and kept in database.
- Individual assessment is to be made of candidates by selection committee members.
- Provisional appointment letters are to be issued subject to verification of candidates credentials particularly with respect to work experience, which need to be commenced within one month of joining of the employee and is proposed to be completed within three months. The results of the verification need to be recorded in the service book of the employee. In case replies are not forthcoming from the employers, personal verification may be undertaken by deputing officer(s) of the company, report of which will be submitted to the Appointing Authority for his decision.

Marketing Finance

1. Keeping in view, certain irregularities committed, several suggestions for systemic improvements were put forth in the Vigilance Report. The suggestions for systemic improvements include:
 - A. Methods of Payment:
 1. Customers should be encouraged to make payments only through RTGS / NEFT or advance receipt of Letter of Credit or Bank Guarantee/ Indemnity Bond along with Post Dated Cheques. In case of RTGS/ NEFT, it should be ensured that name of party making payment appears in the bank statement. Draft / cheques are to be accepted only in exigencies, with prior approval of Regional Manager (RM).
 2. Material is to be delivered against cheques only after their encashment.

3. Apart from RTGS / NEFT, customers should be advised not to make any other deposits directly to HCL Bank account. This means that drafts / cheques wherever unavoidable should only be submitted to the respective Marketing Office.
4. All such drafts / cheques received in Marketing Office, should be submitted to the Finance department on the same day, with covering letter/IOM duly signed by the Finance personnel receiving the payment and countersigned by the RM / his authorized representative. Such covering letter / IOM should include the following details: Name of the customer making payment, instrument number of payment, amount received, date of receipt of the instrument, date of forwarding the same to finance, details of delivery order if the same has already been issued against the payment.
5. In case of Letter of Credit, it should be advised from HCL banker. Marketing Finance officer must keep with himself contact details of Bank issuing LC / BG to facilitate payment by due date. While accepting the letter of credit, marketing finance officer must ensure that it is as per HCL's LC format and no clause is contrary to the interest of company. Due date diary should be maintained manually and parallel soft copy should be maintained.
6. It should be ensured that receipts voucher against payments credited to HCL account should be made within 1 working day of the payment being credited in the bank. While making receipts it should be ensured that the Instrument number (which is a distinctive recognition) is entered correctly. For making of receipts against LC payment, invoice number against which payment is received should also be entered for proper accounting.
7. To prevent multiple receipts against the same deposit of money in HCL account, a printout of the daily bank statement needs to be generated, wherein against each deposit of money in HCL account, the money receipt number and date is to be entered by Marketing Finance personnel and after his signature, the same is to be handed over to the RM.

B. Reconciliation of Accounts:

1. Bank reconciliation should be prepared every fortnight. The BRS should be submitted to the RM, who needs to check the BRS and countersign on it. It should be ensured that no entry is made in cash book of preceding month after finalization of Bank reconciliation statement of that month. This is to be ensured by preparing the month end BRS only after taking print out of ERP Cash / Bank Book after closure of GL for the month, which should be informed to the RMs.
2. At the time of checking the monthly BRS, the RM also needs to check and ensure all reverse entries and payments made to the customers during the month are for genuine reasons, which may be recorded in writing.

3. An ERP generated monthly report should also be provided to the respective RM / Corporate Finance by the Marketing Finance personnel indicating all the manual credit memos / customer refunds passed during the month.

C. Credit Lifting & Debit of Interest:

1. Debit of interest should be made as soon (within 1 working day) as the payment is received against a particular credit invoice, be it LC / BG / Indemnity Bond lifting. Overdue interest, if any should be debited to customer at the same time.
2. LC documents should be presented in bank within 15 days of delivery of material and documents required for LC viz Challan /LR should be sent to finance within 3 days of dispatch.
3. In case of payment received against LC/other Credit it should be tagged to respective invoice against which the payment is received.
4. All Marketing Finance personnel should maintain a manual register for each type of credit lifting be it LC / BG / Indemnity Bond, which needs to be checked periodically by the RM.
5. If there is delay in collection of payment as per terms of credit, RM should be informed about the fact.

D. Manual Credit Memos & Customer Refunds:

1. It is essential that a file be maintained in which all working papers pertaining to issue of manual credit memo / customer refund is filed properly.
2. Manual credit memo / customer refund should not be passed without approval of RM in writing.
3. The ERP system should be strengthened to ensure that no credit / debit memo can be passed with backdate, particularly for previous months, wherein the GL has already been closed.
4. Marketing department should be cautious while issuing DO and challan, so that issue of manual debit memo / Credit Memo does not arise. Marketing Department should ensure that except in cases of differential Invoice challan value should tally with Tax Invoice.

E. Checking of Debtor's Record:

1. All Marketing Finance personnel should submit a record of debtors to the RM once every 3 months after taking into account the position due to LC / BG / Indemnity Bond, etc as available from ERP.
2. The interest against the debit balance of the customer so noticed once in every 3 months, needs to be calculated and debited to the customer's account.

3. A comprehensive report of accounts of debtors to be submitted by Regional Marketing Offices to Corporate Marketing department once in 3 months, indicating status of past debtors (debtors who were already identified as so in the past) and debtors who have been added to the list during the current quarter under review.
4. Corporate Marketing department to analyse the reasons for addition of new debtors to the list and suggest further checks and balances to prevent such occurrences in future. In case gross negligence is noticed on the part of any official resulting in new debtor being created, Corporate Marketing department should suggest action to be initiated against such official.
5. Regional Managers should be responsible for realization of outstanding payments.

F. General Accounting:

1. No reversal of receipts should be allowed to be made by Marketing Finance personnel for months for which the GL has already been closed. The same should be debarred by the system.
2. Entry Tax or other taxes which are to be recovered from Customers should be reconciled with amount paid on monthly basis.
3. Interest on LC/BG should also be reconciled with LC/BG Register on monthly basis.

G. Robust ERP System:

1. It is to be ensured that customer's name cannot be changed once a receipt has been made. It is also to be ensured that the Delivery Order can be made only in the name of the customer whose receipt is tagged to the Delivery Order.
2. ERP system should generate records at the end of every month wherein Delivery Orders are tagged to reverse receipts / no receipt of funds, which needs to be analysed by RMs.
3. It should be ensured through ERP system that no receipts should be reversed after delivery order has been issued.
4. Whereas the Management responded promptly and positively, by issuing a SOP incorporating most of the vigilance suggestions for systemic improvement, the need for developing system generated checks and balances to overcome manual intervention are yet to be implemented. To ensure the same, it was brought to the notice of GM (Commercial), inter alia stressing the need for:
 - a) Debtors' Ledger needs to be taken in PDF Format only from the ERP System.
 - b) For passing the Credit Memos in the ERP System, the amount with

detailed reason thereof should first be submitted in hard copy to the concerned RM / Marketing personnel and only after due approval, the same should be entered into the ERP System. All Credit Memos, thus passed, along with supporting documents should be submitted to audit verification at the end of each quarter.

- c) Periodic and regular internal audit / financial reconciliation should be ensured.

GM (Commercial) has since provided a compliance report. Systems department has been asked to implement changes to strengthen the relevant ERP Module as per the suggestions of Vigilance Department.

IV. SUSTAINABILITY AND WAY FORWARD

The suggestions for systematic improvements along with prompt follow-up action by the Management in strictly reiterating the same across all units and offices of HCL has resulted in a feeling of general awareness amongst employees on the issues of transparency and probity. Although, Rules & Regulations are now in place, further refinement of the process by developing Standard Operating Procedures, to guide the executives through each stage of such sensitive matters is the need of the hour. Further strengthening of the processes can be achieved by way of actions as under:

Procurement & Contract

- Minimizing Human intervention through use of IT while dealing with tendering process.
- Use of proper specifications during procurement and to avoid recommending brand names wherever possible.
- Proper defining /evaluation of PQC by doing away with restrictive/ vague prequalification criteria.
- To broaden the vendor base so as to encourage competition for benefit of HCL.

Human Resource and Administration

- To ensure correct verification of various certificates at the time of recruitment.
- To strengthen the recruitment process in all units of HCL.
- To develop a SOP to guide executives through all aspects of the recruitment process particularly in the units.

Information Technology

- Detailed system improvements have been suggested for incorporation in the Marketing Module of HCL, particularly with an eye to make the ERP system more robust by developing system generated checks and balances to prevent misuse.
- Debtor's Ledger needs to be taken in PDF Format only from the ERP system.

- For passing the credit memos in the ERP System, the amount with detailed reason thereof should be submitted in hard copy to the concerned RM/Marketing Personnel and only after the approval, the same should be entered in the ERP system. All credit memos, thus passed, along with supporting documents should be submitted to audit verification at end of each quarter.
- Periodic and regular internal audit/financial reconciliation should be ensured.
- Protection of User ID and Password.

* * * * *



Bank of India 

Relationship beyond banking

Bank of India



1. **INTRODUCTION OF THE ORGANIZATION**

- 1.1 Bank of India is one of the premier Public Sector Banks in the country operating from a little over 5,000 branches pan India with 66% branches in rural and semi urban areas and 34% branches in metro and urban areas. The Bank has global presence in 22 countries covering 5 continents with 61 outlets including the branches of subsidiaries and representative offices.

2. **AREAS PRONE TO CORRUPTION**

- Cheque payment frauds.
- Misuse of passwords.
- Frauds in staff accounts.
- Cash shortages.
- Misappropriation of funds.
- Depositing less cash in accounts of account holders.
- Not accounting for cash received from customers in books of accounts.
- Opening bogus accounts for en-cashing stolen cheques and other banking instruments.
- Debiting Branch office accounts without any cogent reasons and proper justification.
- Fraudulent transfer of funds to 3rd party accounts without any supporting vouchers / mandate.
- No pre-sanction inspection carried out.
- Proper inspection not ensured.
- Second inspection of the property was not carried out.
- Registration of property under CERSAI not done.
- Proposals processed very casually, like,
 - (a) Projected sales disproportionately higher.
 - (b) Financial ratios below acceptable levels.
 - (c) Financial position on provisional profit and projected profit not analyzed.
 - (d) No justification / comments were offered for ignoring above vital parameters.
- Failure to obtain status report.
- The credit rating was not assessed.
- The CBD-23 not verified.
- CIBIL reports were not generated and scrutinized.
- KYC documents not verified with originals.

- Exceeding delegated authority.
- Title Search reports not scrutinized.
- Failed to obtain original documents required for creation of equitable mortgage.
- End use of funds not verified.
- Stock statements/book debt statements not obtained.
- Marking of drawing limits as per actual stock/book debt statements.
- Allowing disbursement without complying with terms of sanction / pre-disbursement conditions.
- Allowing TOL within six months of opening of Cash Credit accounts beyond delegated authority.
- No ratification for exceeding delegation of powers obtained.
- Credentials of suppliers not verified.
- Lack of proper diligence on the borrower.
- Insurance of the assets financed by the Bank not done.
- Undue accommodation of borrower without any cogent reasons and proper justification.
- Ensure post sanction inspection.
- Misusing official position to avoid accounts turning into NPA by unauthorizedly debiting / crediting various unrelated accounts without any mandate / authority.
- Undue accommodation of same group or family.
- Reckless financing.
- Granting TOD/TOLs without any cogent reasons and proper justification.
- Wrong one time settlement without checking balance in the account leading to loss to the Bank.
- Demanding and accepting bribes.
- Indulging into corrupt practices and maleficence in considering advances.
- Acting on oral instructions without seeking confirmation of such action while initiating process of availing of bills received under FIBC limit.
- Acquiring assets disproportionate to known sources of income.
- Entering into transactions with outsiders without any plausible explanation.
- Not approving search reports.
- Not scrutinizing valuation reports.
- Ignoring adverse findings of inspection, CIBIL, search and valuation reports.
- Failure to create proposed security.
- Accepting tailor made reports.

3. SYSTEMIC IMPROVEMENTS AND THEIR IMPACT

- 3.1 In the field of Deposit & Remittances, following steps were implemented:
- i. Introduction of new design of CTS 2010 compliant “BOI personalized cheque books” with added security features.
 - ii. (a) On precautions to be taken while dealing with Bulk deposits, the limit for accepting deposits has been specified based on branch categorization.
 - (b) Branches to refrain from accepting bulk deposits from the offices/ institutions whose registered offices/establishments are not within the same territory/command area of the branch.
- 3.2 On credit front following new/ revised systems and procedures were introduced:-
- (a) Checklist for Credit Approval Committees introduced.
 - (b) Use of structured Financial Messaging system for Bank Guarantees introduced.
 - (c) Loan against TDR with value of TDR Rs.10.00 Lacs & above- Acknowledgement from Borrower/Depositor introduced.
 - (d) Star Vehicle Loan (Auto Loan)-Guidelines on precautionary measures to avoid frauds have been issued.
 - (e) Periodic review of empanelled Valuers on annual basis introduced.
 - (g) Guidelines issued that due diligence to be done before entertaining request for credit facility and all credit request of a borrower be met at one branch only.
- 3.3 In the NPA management front, following systems and procedure were introduced:-
- (a) To ensure transparency, all the One Time Settlement proposals falling within the authority of - Credit Committee of Executive Directors and above shall be first vetted by External Settlement Advisory Committee.
 - (b) To ascertain fair market value of property, in case the original market value of immovable assets charged is Rs. 1 Crore and above, two valuation reports be obtained.
- 3.4 On Credit Follow up & monitoring front, following measures have been initiated:-
- (i) Stress Management Cell created to follow up stressed accounts.
 - (ii) Timely detection of Early Warning signals & red flagging of accounts introduced.
 - (iii) As per directives of CAC (Credit Approval Committee), Borrower’s Health Profile has been introduced. Submission of the same online by Branches/ Zones.
 - (iv) For stock audit closures, it has been made compulsory for authorities approving closure of stock audit reports to go through the confirmation from Stock Auditors.
- 3.5 The following additional measures have already been suggested to DFS:
- (a) When a certificate is issued by Chartered Accountants, a copy may be sent to

the concerned CA for confirmation with a copy to The Institute of Chartered Accountants of India.

- (b) IBA to maintain a panel of professionals accessible to all member Banks.
- (c) In suspected cases of alleged malpractices by professionals, IBA should suspend them from IBA panel informing member Banks.

4. SUSTAINABILITY AND WAY FORWARD

- 4.1 Banking is the business of risk taking. Loans are given based on certain growth projections, which fail at times. The causes and factors behind NPAs may be beyond the control of the banks as also promoters and individual officers may not be responsible in each case. It should be analyzed whether the account has turned NPA due to self-made internal reasons or external reasons beyond control or due to willful default, etc. This would acts as both preventive as well as punitive tool.
- 4.2 The acquisition of assets, both movable and immovable by fraudsters / borrowers / customers out of Bank's finance discovered during enquiry / investigation by investigating agencies should be seized / frozen, as part of enquiry endeavor to mitigate losses. This is again a better preventive tool. Discovery of assets acquired by fraudsters from Bank's finance or by successful conviction of fraudsters and public servants will send right signals to fraudsters and others. This is a valuable preventive tool available in the hands of authorities administering vigilance function in banks and financial institutions.
- 4.3 Recovery mechanism which acts as a deterrent tool, needs to be strengthened by proper application of systems and procedures. The correlation between rising level of NPAs in Public Sector Banks and frauds probably indicates lack of requisite standards of corporate governance leading to more instances of high value bank loan default and possible collusion between corporate entities and high echelon bank officials.
- 4.4 The nature and sophistication of frauds in banking sector have increased over the period of time requiring equivalent skills for timely detection and prevention of those frauds. This is also one of the future challenges banks will have to cope with. Banking industry has witnessed a massive surge in cybercrime incidents in the last two decades. This would be another major challenge from preventive vigilance perspective. Again, matching skilled manpower would be required for recruiting future human resource in banking and financial industry. There are instances of frauds involving collusion of staff with third parties to indulge in fraudulent activities. Detection of such frauds takes a long time and is only discovered when there are customer complaints of fraudulent cases. This is an area of great concern for bankers requiring greater scrutiny from vigilance perspective to prevent commission of frauds by collusion. Imparting education to customers who are victims of frauds is also a challenging task for banking system. The conduct of customers is often contributory factor in commission of frauds and may require appropriate preventive measures and customer awareness guidelines.



Central Bank of India

A. **INTRODUCTION OF THE ORGANIZATION**

Established in 1911, Central Bank of India was the first Indian commercial bank which was wholly owned and managed by Indians. The establishment of the Bank was the ultimate realisation of the dream of Sir Sorabji Pochkhanawala, founder of the Bank. Sir Pherozesha Mehta was the first Chairman of a truly 'Swadeshi Bank'.

During the past 104 years of history the Bank has weathered many storms and faced many challenges. The Bank could successfully transform every threat into business opportunity and excelled over its peers in the Banking industry.

Central Bank of India has 4741 Branches, 4 Extension counters, 29 Satellite Offices (as on August 2016) at various centres throughout the length and breadth of the country and 5000 ATM. Among the Public Sector Banks, Central Bank of India can be truly described as an All India Bank, due to distribution of its large network in all 29 States as also in 6 out of 7 Union Territories in India. Central Bank of India holds a very prominent place among the Public Sector Banks on account of its network. Customers' confidence in Central Bank of India's wide ranging services can very well be judged from the list of major corporate clients such as ICICI, IDBI, UTI, LIC, HDFC as also almost all major corporate houses in the country.

In line with the guidelines from Reserve Bank of India as also the Government of India, Central Bank has been playing an increasingly active role in promoting the key thrust areas of agriculture, small scale industries as also medium and large industries. The Bank also introduced a number of Self Employment Schemes to promote employment among the educated youth.

B. **[i] PROBLEM AREAS/AREAS PRONE TO CORRUPTION**

Potential areas of corruption, nepotism, etc in a banking environment are mainly those connecting with lending decisions, capital expenditure/recurring expenditure decisions, sub-staff recruitment and investment decisions, besides few in transaction banking areas.

[ii] SYSTEMIC IMPROVEMENT:

The existing procedures and systems in place to mitigate the risk and have a supervisory oversight are as follows: -

- i) The Bank is having a laid down **Loan Policy** which is updated at least once in a year. The lending decisions should be as per Loan Policy and other guidelines of the Bank/RBI.
- ii) With a view to ensure that lending decisions are in accordance with the Loan Policy and disbursements are in accordance with sanction as well as the guidelines of the bank, the Bank is having Credit Monitoring Policy, which was last amended w.e.f. 13.04.2016. The policy includes detailed guidelines relating to monitoring, conduct of stock audit, credit audit, loan review mechanism etc.
- iii) Committee system of decision making has been adopted at all levels with varying discretionary powers, with the Management Committee of the Board being the apex decision making body. There is a well laid down

loan policy covering all aspects of corporate and non-corporate financing which is updated from year to year. The loan sanctioning process is guided by the loan policy.

- iv) As far as schematic loans are considered, individual officials take the decisions depending on their discretionary powers, which again is determined by their grade/scale. All such sanctions are reported to the Regional Office every month.
- v) All working capital limits are reviewed/ renewed every year on the basis of performance of the firm/ company.
- vi) The corporate loans are subjected to an internal risk rating system of the Risk Management Dept. based on rating module adopted by CRISIL and the same is approved by the board. Similarly all MSE loans and the schematic loans are also subjected to internal risk rating model approved by the Board.
- vii) There is a credit monitoring department at all controlling offices to follow up for compliance of terms & conditions of sanction. All fresh sanctions of Rs.5 crore and above are subjected to pre disbursement credit audit and all loans above Rs.1 crore are subjected to credit audit within 30 days of disbursement.
- viii) There is loan review mechanism which covers all advances accounts above Rs.500 lac. All the fresh sanctions above Rs.500 lac are also subjected to loan review mechanism within 3 months of disbursement or review of the loan/limit. All these loans above Rs.500 lac are subjected to LRM twice in a year.
- ix) Non Lending, expenditures and investment decisions are taken by the respective Committees having the required discretionary powers at the RO/ZO/Corporate office levels and then reported to the next higher authority.
- x) The system of Risk Based Internal Audit (RBIA) is in place to verify the credit and operational transaction in all the branches. The periodicity of the RBIA depends upon risk rating of the branch and are conducted between 6-18 months. The concurrent audit covers 60% of deposits and 70% advances of the bank as against RBI stipulation for coverage at minimum 50% of business. Apart from the branches, concurrent audit covers treasury department, General Administrative Department, All Service Support Branches. All other departments of Central Office, Regional & Zonal Offices & Core Banking Solutions (IT Dept) are covered under Management Audit.
- xi) All loans above Rs.10 crore are subjected to Risk Based External Audit of RBI approved credit rating agencies. Special Audits are conducted on the basis of source information, Vigilance Dept. reports where a pattern of major lapses, income leakage, potential fraud, etc.
- xii) The Vigilance Officer in the Zone, who reports to the CVO, is entrusted

with the task of visiting atleast 5 branches every month and to conduct technical examination of tender processes and submit report to the CVO based on sample checks about compliance levels, knowledge gaps, and vulnerable areas, if any. The Vigilance officers also conduct inspection of Currency Chest once in a quarter.

xiii) Officials of the Regional Office are expected to visit the branches every quarter and submit a report on their observations to the Branch for compliance.

xiv) **Due diligence at New Business Group [NBG] level**

The process of Due Diligence has been made more stringent at NBG level i.e. pre-sanction inspection/market inquiries/CIR from existing bankers etc. are taken at NBG level.

xv) **Consortium accounts**

For entry in existing consortium accounts, minutes of three previous meetings are taken for having information about conduct of the account with existing lenders.

xvi) Checking of **CIBIL** has been made mandatory both at the time of submitting the proposal and again at the time of disbursement.

xvii) Physical verification of the mortgaged property to be carried out independently and without fail, photograph of the property to be taken and kept on record by inspecting authority as a proof of having visited the site and be compared with photograph submitted by valuer. It should be included in scope of audit, original title deed to be verified/compared with certified copy and a certificate to be submitted to RO in this regard, loans should not be disbursed unless all the process of appraisal like pre-sanction inspection, due diligence of borrower/guarantors/suppliers and verification of title deed is completed and terms and conditions of sanction are complied, the statement of account of other banks be scrutinized, existence of flat to be verified from the record of the society and our charge should be noted thereon, post sanction inspection be conducted immediately after disbursement and also periodically to ensure creation of assets and prevent diversion of funds, LSR, valuation report submitted by Advocate, Valuer be cross checked through local enquiry and spot visit.

xviii) The Bank is having well established **Off-site Monitoring System** under which alerts are sent on different frequencies viz. daily, weekly, monthly. Some of the major alerts are mentioned hereunder

- unusual growth in advances (in a month increase exceeding 10% in number & 15% in amount)
- use of ID of staff on leave/training (as per HRMS)
- cash deposits (exceeding Rs. 50000) in staff accounts

- returning of 5 or more cheques in a month
 - Inter-branch transactions in SB accounts (exceeding Rs. 5 lac)
 - local credits in NRE accounts
 - TODs allowed beyond BM's powers
 - operations in Dormant accounts
 - interest rate variation
 - Abnormal ROI (less than 4% & exceeding 11%)
 - overdue FDs
 - cash withdrawals in excess of 10% of sanctioned limit in Cash Credit accounts
 - loans granted against FDs (exceeding Rs. 1 crore)
 - more than 10 cash deposits in a week in SB accounts
 - reversal of entries exceeding Rs. 5000
 - printing of FDs, DDs, POs
- xix) **Exception Reports** mentioning the following details are generated and sent to branches
- interest variation in loan accounts
 - debit/credit transactions in staff accounts exceeding Rs. 50000 (award staff), Rs. 75000 (officers) in a single entry
 - debit transactions in BGL accounts
 - Security documents older than 2 years
- xx) **SMS alerts** are sent to staff/customers are sent in case of below mentioned events
1. The SMS alerts are sent to **Staff** in case of following events
 - disbursement in loan accounts
 - approval of new limits
 - untallied cash in the branch
 - physical cash exceeding prescribed limit
 2. The SMS alerts are sent to **customers** in case of following events
 - dispatch of cheque book
 - change of mobile number
 - SMS conveying thanks to introducer

- debit of customer's account exceeding threshold limit
- maturity of FDs

3. Internet Banking related SMS

- expiry of grid card
- registration of Digital Signature Certificate
- addition of new beneficiary
- debit of account

xxi) **AML alerts** – Apart from above, AML alerts are also generated, which mainly pertain to

- **high value cash deposits/withdrawals in a day** (Rs. 5 lac individual, Rs. 15 lac Non-individuals, Rs. 50 lac Companies), for non cash deposits/withdrawals in a day (Rs. 15 lac individual, Rs. 50 lac Non-individuals, Rs. 100 lac Companies)
- **high value** cash deposits/withdrawals in a month with different cut offs
- sudden increase in value of transactions in a month
- high value transactions in a new account/dormant account
- high value transactions inconsistent with profile
- multiple customers with common address/telephone number
- repeated small value transfers from unrelated parties followed by immediate ATM withdrawals
- repeated small value withdrawals in sensitive locations (with known terrorist incidents)
- large repetitive cash usage at the same merchant
- high value cash transactions related to real estate, dealer in precious metal/stone
- high value transactions with a country with high ML risk/tax havens

In our view the system and procedures outlined above are adequate to contain/mitigate the perceived risks

C. SYSTEMIC IMPROVEMENTS AND THEIR IMPACT

As a result of bringing in improvements in Credit Monitoring and also checks and balances and tools implemented in the area of operational risk, following improvements are observed:

- During the year 2015-16, borrowal frauds have come down both in volume and value to 118 cases with aggregate value of Rs.172.83 crores from 168 cases

aggregating Rs.2139.92 crores in 2014-15. Similarly, non-borrowal frauds also have come down from Rs.14.12 crores in 2014-15 to Rs.7.93 crores in 2015-16.

- Frauds on account of fake title deeds have come down significantly to Rs. 15.70 crores in 2015-16 as compared to Rs.115.84 crores in 2014-15 and Rs. 27.63 crores in 2013-14.
- After the implementation of various measures as detailed elsewhere in this note, frauds are getting detected early so that remedial measures are taken quickly to arrest the damage.
- Awareness amongst staff has gone up due to continual sensitization programmes being held for operating functionaries including training programmes at our staff training centre.
- Zero tolerance culture to frauds at all levels.

D. SUSTAINABILITY AND WAY FORWARD

The effectiveness of the above systems depends to a large extent on implementation, follow up and control by the Regional Office/Zonal Office, the robustness of the supervisory mechanism at the branch and RO in analyzing the various reports and rectifying in a timely manner. Further the CBS systems throws up daily reports on exceptional transactions, inter and intra branch transactions, interest rate variations etc. which are placed in important folders separately for branches, Regional Offices and Zonal Offices for effective monitoring. These reports are to be scrupulously followed up by controlling office and Regional Manager on visits to branches who needs to alert them on various deviation from systems and procedures.

In short, the degree of effectiveness is directly proportional to the quality of oversight and control exercised by the Branch, Regional Office and Zonal Office.

Apart from what is stated above, periodical circulars are issued by the legal department on precautions to be adhered for mortgage of title deeds, due diligence to be carried out in KYC verification, periodical visits to ensure primary security and collateral security are in place. An offsite monitoring system to monitor transfer from inoperative SB account to staff account, unauthorized debit in nominal account, abnormal transaction of Rs.50,000/= and above in staff account, end use of loan in CKCC account i. e. transfer of loan amount to time deposit / third party deposit are captured. Biometric system has been implemented in all the branches to safe guard secure pass word secrecy. E-Voucher verification mechanism has been implemented in all the branches. Strict guidelines have been issued to implement Job rotation within branch/ Regional Office/ Zonal Office & Central Office. The implementation of which is being monitored by HRD Central Office.

The vigilance set up comprises, 18 officers/staff at the corporate office and 24 Vigilance Officers placed in each of the Zones & sensitive regions. In addition we have Vigilance Officers at each of the 3 RRBs. The following are the important duties assigned to the VOs:

- 1) Conduct surprise visits of at least 5 branches in a month to do sample checks of compliance levels in various areas, assess knowledge gaps, hold a staff meeting and submit his report directly to the CVO.

- 2) To conduct a check on monitoring by RO once in 6 months.
- 3) To visit a chest branch once in a quarter.
- 4) To maintain liaison with other banks, police authorities to exchange information on valuers/advocates, frauds in the area.
- 5) To carry out investigation of complaints referred by CVO.
- 6) To act on credible source information under the guidance of CVO.
- 7) To co-ordinate to convene the ZO fraud prevention committee meeting every quarter under the chairmanship of the ZM and brief the RMs and others present on the important findings, frauds, if any, major lapses observed in the branches within and outside the Zone and learnings there from. Follow up for ATRs of surprise visit reports also to be taken up.

The surprise visit reports are analysed and put up to CVO. Depending on the significance, seriousness of the findings, the same is referred to the concerned SRM, FGM, GM [CIA], Zonal Coordinator and sometimes to the CMD. Wherever major lapses indicate a pattern, special audit is recommended for 100% audit of a particular area, or for a time period.

CMD's instructions are conveyed to the concerned authorities for time bound action and followed up by the Department. Action taken/status report is placed before the CMD periodically.

The CVO also addresses Branch Managers, RO/ZO officials on preventive vigilance issues at staff colleges as also at ROs/ZOs periodically. CVO also holds structured meetings with GM[HRD] and CMD and all the vigilance related issues are comprehensively discussed and action points derived are conveyed to the concerned functionaries.

CVO summarizes the major findings of surprise visit reports and circulates to all the RMs/ZMs for focused attention and action.

A quarterly vigilance newsletter with communication from CMD/EDs and with relevant articles, case studies and learning is brought out every quarter and mailed across the bank. VOs are advised to discuss the case studies when they visit the branches.

Major system improvements proposed

- 1) Credit audit of borrowal accounts of Rs.15 crores and above should be done by a central team. Credit audit report should comment on the quality of appraisal also.
- 2) Role and responsibilities of Regional Manager and Zonal Manager should be clearly laid down and conveyed.
- 3) Role and responsibilities of key functionaries at ZO/RO/Branch should be clearly laid down and conveyed.
- 4) There should be negative marking in RBIA reports for non-compliance of observations of previous audit report.

- 5) Asset and Liabilities statement of promoters/guarantors should be by way of affidavit.
- 6) Apparent serious lapses should be examined and accountability fixed without waiting for an account to become NPA.
- 7) Branch visit reports of RMs should be scrutinized on a sample basis by the ED to ensure that these are purposeful.
- 8) At the branch, days' transactions should be verified with vouchers at day end.



यूनियन बैंक
 ऑफ इंडिया
 अच्छे लोग, अच्छा बैंक



Union Bank
 of India
 Good people to bank with

Union Bank of India



1. **INTRODUCTION OF THE ORGANISATION**

1.01 Union Bank of India was founded in Mumbai on 11th November 1919. The Bank commands high reputation in the market and serving over 49 mn customers. A techno-savvy bank comparable with leading Public or Private sector banks. It has an extensive network across India with 4207 domestic branches & overseas branches in Hong Kong, Dubai Sydney and Antwerp, in addition to representative offices in Shanghai, Beijing and Abu Dhabi. It operates in the UK through its wholly owned subsidiary, Union Bank of India (UK) Ltd.

1.02 Roles and Responsibilities of the independent Vigilance Unit

I. Formulation, implementation and review of Bank's policy on vigilance administration / matters keeping in view the guidelines of the Central Vigilance Commission, New Delhi.

II. Preventive Vigilance Role

1. To undertake Preventive measures by conducting or arranging to conduct regular and surprise inspections in sensitive areas / branches / controlling offices so as to ascertain level of adherence to systems and procedures and to create awareness for ensuring compliance for the same.
2. To take up the issues with functional departments for systemic improvement where pitfalls in the systems and procedures are observed.
3. Preparation and finalization of Agreed List of officers of gazette status (i.e. MMGS III & above) in consultation with the CBI authorities.
4. Preparation of List of Officers of Doubtful Integrity.
5. Monitoring submission of Assets & Liabilities statements (APR) and its scrutiny in respect of Executives in Scale IV and above.

III. Investigative / Detective Vigilance Role

1. Investigate or cause an investigation into verifiable allegations reported, scrutiny/vetting of complaint to be filed and ensure timely submission of comprehensive investigation report.
2. Scrutiny/analysis of investigation reports and identify areas that need systemic improvement and ensure follow-up action thereon.
3. File or cause to file a criminal complaint with crime investigating agencies (such as CBI, Police) for investigation.
4. Scrutiny of Special Audit Reports submitted by Central Audit & Inspection Department with a view to identify cases having Vigilance Angle and initiate further action.
- 5.6. Scrutiny of cases of Staff Accountability in NPA accounts above Rs. 100.00 lacs with a view to identify cases having Vigilance Angle and initiate further action. Providing information to crime investigating agencies.

IV. Punitive Vigilance

1. Examining existence of vigilance angle or otherwise in the case after receipt of the case details from internal advisory committee.

2. Tendering first / second stage advice with due process in respect of disciplinary action in vigilance cases against the officers falling under advisory jurisdiction of the Chief Vigilance Officer.
3. Making a reference to the Commission for first / second stage advice with due process in respect of disciplinary action in vigilance cases against the officers falling under advisory jurisdiction (including other officials in composite cases) of the Commission.
4. Monitoring disciplinary action in Vigilance cases for its logical disposal. Attending to correspondence with CVC/CBI etc.

V. Others

1. Attending to CTE type inspection of works / purchase contracts awarded by the Bank.
2. Co-ordinating with various related Statutory and Regulatory Bodies like CVC, CBI, RBI and Vigilance Section, Ministry of Finance.

2. **AREAS PRONE TO CORRUPTION**

- a. The potential areas of corruption, delays and nepotism are credit decisions and procurements. The credit dispensation is linked to Loan Policy of the Bank which is well conceived. With regard to sanction of credit limits, the sanctions given at Branches, ROs and FGMOs are checked at one level higher for bringing into light any possible gaps/short comings. Such observations are escalated back to the sanctioning authority for necessary remedial action. The sanctions are also subjected to concurrent and regular audits at Branches and Management audit at Controlling Offices. Though the existing systems and procedures are adequate, the time given for checking/scrutiny by auditors need re-examination.
- b. Receipt and disposal of loan proposals is not properly recorded in the system (either manually or through LAS, though guidelines are in place). As a result of this the TAT is not being calculated properly. Though TAT is not the only yard stick for measuring or arriving at a conclusion for existence of corruption, a deeper look with regard to delays reveal the attitude, competence, commitment of the officials.
- c. Competence of the officials viz. Auditors, Regional Office Inspections, Vigilance Inspections needs improvement. Technology to be used to a greater extent. Further frequent interaction by the Audit and Vigilance Officials with the branches enquiring them about a particular transaction or a particular sanction in a friendly manner would also spread the message of “being watched”.
- d. We receive a number of cases of frauds, in which the presence of middlemen was seen and confirmed. This aspect has not surfaced till the accounts became bad or till a complaint has been received in the case. The source of the complaint should be seen. The Due Diligence Reports and Pre-sanction Inspection reports are compiled in a perfunctory manner without assessing the customer, his credentials, his business and his repayment capacity. The documents like IT returns are fake and fabricated and therefore repayment capacity was not properly assessed. On many occasions, qualified legal opinions are given and the same have been accepted by the branches. On some occasions, the Panel

Advocates connive with the prospective borrowers and give incorrect Search Reports. This warrants for strengthening the CPV functioning. Contact Point Verification should be made mandatory at least in all urban and metro centres and can even be considered for Semi urban centres. The recruitment process of CPV agents and Panel Valuers/ Advocates should be stringent enough, clearly defining their roles and responsibilities.

- e. On many occasions it has been observed that one person is introducing many advance accounts. Auditors/ Preventive Vigilance Officials may take the help of DIT in obtaining the list of accounts opened at a particular branch/centre with the name of the introducer appearing in one of the columns to examine the presence of middlemen in that branch/centre. Ideally, when a person is introducing an account, there should be an immediate check by the Branch Manager on the accounts earlier introduced by him.

3. SYSTEMIC IMPROVEMENTS AND THEIR IMPACT

- a. Preventive Visit by Vigilance Personnel to branches to impress upon the staff the importance of adherence to Systems and Procedures, popularise the whistle blower policy and look out for any suspicion that requires further investigation/ audit.
- b. Instituting Preventive Vigilance Committees at major branches with a view to educate the operating staff for curbing the non-observance of the laid down procedures or other mal practices in order to inculcate and nurture a culture of alertness at ground level.
- c. Launch of e-vigilance portal 'Union Vigil' which amongst other things provides for lodging of online complaints with guaranteed confidentiality under Whistle Blower Policy and 'Knowledge Hub' where important checklists related to Credit Monitoring, Advance Proposals including Agriculture, Retail, MSME advance etc. are listed apart from Do's and Do not's at branches and useful Finacle Menus for imparting knowledge at ground level as and when required.
- d. Sending Vigilance quotes on daily basis by way of an SMS to field functionaries to build in the subconscious a spirit of following the ethics.
- e. Publishing a quarterly house magazine on vigilance activities, articles on frauds and the learnings thereof, stories on ethics etc.
- f. To tackle the issue of skill gap in exercising effective control at the branches particularly in case of first time branch managers we have introduced a training programme 'Empowering Branch Heads' in which not only common irregularities in advances are dealt in detail but other supervisory / administrative inputs are provided.
- g. The system of submission of control returns by the Authority exercising the discretionary powers, to the next higher authority forms an important part of preventive vigilance exercise. While it is upon the officer exercising discretionary power to submit the control return, the controller is also responsible for obtaining / scrutinising the control returns required to be submitted by him.

- h. Offsite Surveillance of branches for sudden spurt in advances, abnormal transactions in impersonal accounts, large value/ large number of credits in staff accounts and analysis thereof is carried out on regular basis.
- i. As a preventive measure for strengthening vigilance and anti-corruption work, a list of officers is prepared, who after inquiry or during the course of inquiry, have been suspected of lacking in integrity but the suspicion does not amount to preponderance of probability. The purpose of maintaining such a list is to ensure that those officers whose names appear in the list are not posted to sensitive assignments.
- j. Similarly an 'Agreed list' is prepared in consultation with CBI, of officers whose integrity is reported to be doubtful but there are no inquiries. Their activities are required to be kept under watch. The purpose of maintaining such a list is to ensure that those officers whose names appear in the list are not posted to sensitive assignments.
- k. Concurrent Audit, Inspection visits and regular audits by the Audit offices are in place in the bank to escalate the irregularities for necessary rectification and other required action as deemed fit. The Bank has put in place a system, whereby every Special Report issued is being sent to Vigilance Department and FRMD for necessary examination. The Special Reports are then scrutinized to examine the existence of element of fraud and staff involvement therein.
- l. Quarterly visit of Credit Monitoring staff of controlling offices wherein the staff verifies the security documents /other documents is done for new accounts opened during the month.
- m. Offsite Monitoring Cells (OMC) have been set up at RO/CO level. They are generating 38 reports every day with different threshold limit. The information/ inputs gathered from these reports are used to identify branches for preventive vigilance.
- n. As regards monitoring function, the same should be assigned to officials having acumen and possessing skills for such monitoring. Cases have been reported where 2 loans each to the same borrower were sanctioned in different months (this happened in case of more than 3 borrowers). The Branch Manager thereby, exceeded his delegated authority. However, while conducting the CPA and during the scrutiny of M-27 at the controlling office, the loan accounts were seen separately without comparing with the total list of loans sanctioned at the branch. Even verification of loans sanctioned to this customer under his customer ID would have revealed the details of other loans sanctioned to him.
- o. Therefore, though the systems are in place for monitoring and checking the frauds, technology is not properly used for bringing to fore the irregularities at the inception itself.
- p. It is also observed that though we have taken all measures to protect the interest of the customers, lack of knowledge on the part of the customers (eg. Protecting their ATM Card PIN Number, Passwords for their Internet Banking, holding the Cheque Book in lock and key, subscribing to SMS Banking, regular verification of statement of account etc) is resulting in unwarranted frauds at the branches.

The visiting officials should examine the level of knowledge dissemination to the customers at the branches by the branch staff at the time of selling the product. A systematic procedure to inform the customer the precautions to be taken by him should be adopted.

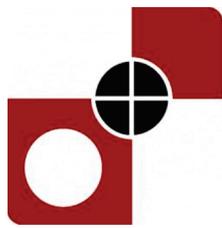
4. **SUSTAINABILITY AND WAY FORWARD**

- a) In case of all types of advances, there should be a clear checklist of all the documents that are required to be submitted along with the application form.
- b) Ideally, when a person is introducing an account, there should be an immediate check by the Branch Manager on the accounts earlier introduced by him.
- c) In case of third party mortgages/guarantees, the concerned people should be clearly explained the liabilities when the account goes bad and the same should be put in writing.
- d) To ensure genuineness of the title deeds, certified copies of the documents should be obtained without fail and compared with the original documents to be lodged with bank and comments on the same should form a part of legal search/vetting report. Branch to verify the CERSAI records for the property offered as security for any existing encumbrances. Reliance on customer or third parties to directly deal with the Lawyer/Valuer to be avoided and to be obtained directly by branch officials. Guidelines with regard to holding on record the photography of the branch official, proposed mortgager/borrower, with property in the back ground be issued / reiterated to all branches / offices.
- e) Contact Point Verification should be made mandatory at least in all urban and metro centres and can even be considered for Semi urban centres.
- f) In case of vehicle loans, care should be taken to verify the existence of the dealers from the dealer list on the website of the most of the truck/car/two wheelers manufacturers. [There is a provision in “Lending Automation Solution” wherein Dealer Master is updated. The lists as provided by the Car Manufacturers (Maruti, Tata & Hyundai) are updated by Retail Banking Department. Regional Offices are also authorized to update the list in LAS with regard to dealers of other manufacturers in their region. In case of dealer not present, care should be taken by the sanctioning authority before sanctioning such proposal].
- g) To avoid wrongful disbursements and ensure the borrower has paid the margin contribution which should be made compulsory that the customer pays the margin amount through the operative account with the bank and DD pertaining to the disbursement of the loan is sent through a suitable covering letter to the dealer directly and not through the borrower. This step would avoid cases where the customer opens an account in the same name by using forged documents with other banks and encash the DD. To overcome this, the branch to send the letter with the DD.
- h) Instead of auditing a large percentage of branches within short period, audit should be restricted to 10 – 20% of the branches but the same should be detailed and complete on the lines of special audit.
- i) The Preventive Vigilance Visits should be increased and invariably aim at the

following aspects of branch functioning, apart from checking the sanctions, outstanding entries, spurt in business growth etc.

- Adherence to systems and Procedures
 - Way in which the transactions are being passed
 - Presence of Middlemen at the branch
 - Life Style of the Staff Members concerned
- j) Quarterly visit of Credit Monitoring staff to be made mandatory wherein the staff will verify the security documents /other documents, inspection of the units, grant of excesses and scrutiny of M27 Statements will be done for new accounts opened during the quarter.
- k) By a mandated regulatory guideline, conduct of special audit of investigative nature of cases where the borrowing amount from the entire banking system including FIs is Rs. 500.00 crore or more by a team of qualified CAs and independent engineers every year covering aspects like verification of end use of funds, genuineness of debtors, vetting of costs incurred or to be incurred, cross holding in group companies, etc.
- l) The establishment of Research & Development Department in order to study the systems and procedures in the light of mishaps and to suggest improvements.
- m) In purchase of immovable properties, the bank is using the process of RFP, tendering into bid form in the standard format, etc. but issue of paper advertisements and pre-bid meeting should be made mandatory in all such purchases.
- n) For awarding Annual Maintenance Contract upto Rs. 1.00 lac, quotations may be called from empanelled vendors, but above Rs.1.00 lac it should be by open tender and above Rs.25.00 lac it should be by Reverse Auction Process.
- o) The recruitment process of CPV agents and Panel Valuers/ Advocates etc. should be stringent enough, clearly defining their roles and responsibilities. If their opinion is found to be not true and fair, they should be made liable for the damages and not just debarred / blacklisted.
- p) The level of knowledge dissemination to the customers at the branches by the branch staff at the time of selling the product should be increased. Apart from this, a systematic procedure to inform the customer the precautions to be taken by him in use of various products, through short films, SMS, paper advertisements etc. should be adopted.
- q) In line with the guidelines issued by Reserve Bank of India for a Framework in dealing with Loan Frauds (vide their notification dated 07/05/2015), Red Flagging of Accounts, Monitoring mechanism etc, the bank is in the process of keeping in place a framework for dealing with early warning signals and for taking necessary remedial measures. [Department of Information Technology is in the process of floating an RFP for keeping in place a robust Fraud Monitoring Solution (for implementation in a phased manner i.e. for channels and CBS Core) for online / near online transaction monitoring].

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Security Printing and Minting Corporation of India Limited

I. INTRODUCTION OF THE ORGANIZATION

Security Printing and Minting Corporation of India Limited (SPMCIL) was formed after corporatization of nine units including four mints, four presses and one paper mill which were earlier functioning under the Ministry of Finance. The Company was incorporated on 13.01.2006 under the Companies Act, 1956 with its headquarters at 16th Floor, Jawahar Vyapar Bhawan, Janpath, New Delhi. SPMCIL, a Miniratna Category-I CPSE, and wholly owned Schedule 'A' Company of Government of India (under the administrative control of Department of Economic Affairs, Ministry of Finance), is engaged in the manufacture of security paper, minting of coins, printing of currency and bank notes, non-judicial stamp papers, postage stamps, travel documents, etc. SPMCIL has an asset base of Rs. 4500 crores and profit after tax of about Rs. 542 crores.

II. AREAS PRONE TO CORRUPTION

- i) **Procurement:** In Procurement, potential areas for corruption & delays may exist right from raising of requisition to tender award stage. The problem areas may be raising the requisition of a non-required product/item, not procuring/delay in procuring of a required product, variations in quantities during award/execution, splitting of tenders to avoid approval of higher level CFA, restricting the PQ criteria, awarding the work without verifying the credentials of successful bidders.
- ii) **Production:** Delay in manufacturing the products/goods, acceptance of defective raw materials without testing etc.
- iii) **Bullion & Stores:** Delays in preparing Goods Receipt Notes (GRN), not maintaining stock registers or making incomplete entries etc.
- iv) **Finance:** Delay in payment, etc.
- v) **Human Resource:** Recruiting ineligible candidates, delay in recruitment/promotions, non rotational transfer etc.
- vi) **Estate:** Mis-utilization of the resources like labours, materials, etc.
- vii) **Security:** Allowing entry and exit of materials/persons beyond the rule etc.

III. SYSTEM IMPROVEMENT AND THEIR IMPACT

The Vigilance Department of SPMCIL keeps various checks/monitoring mechanisms and other measures like CTE type Inspections, Annual Physical Verification of Stocks, Surprise Inspections, Surprise Observance of Tender Opening, Study of Tender documents, Scrutiny of APRs etc. as a tool of Preventive Vigilance.

- i) **Annual Physical Verification:** It was detected only during the Annual Physical Verification of stocks that proper weighment of coils & coin blanks were not being carried out resulting in lot of savings for SPMCIL.
- ii) **CTE Type Intensive Examination:** The CTE type inspections have also resulted in recoveries and system improvement.
- iii) **Other cases of system improvement & their impact:** A brief synopsis of some

of the cases investigated by the Vigilance Department along which led to system improvements are elaborated as follows:

- a) **Non- inclusion of standard terms & conditions in tender documents:** The case was taken up for preliminary enquiry based on a complaint pertaining to procurement of trial paper. The preliminary investigation revealed that standard terms and conditions like exact/range of specifications/ parameters of the paper, specific purpose of paper and testing & trial for pre-production samples were not included in the tender document. Further, test records were not maintained properly. Circular was issued to all the nine units of SPMCIL to ensure that the standard terms and conditions mentioned above are duly elaborated in the tender document.
- b) **Not providing relevant details/ drawings (non-security) along with the tenders:** The case was taken up for investigation based on a complaint that relevant details/drawings (non-security) were not provided along with the tenders. The investigation revealed that the relevant details/drawings (non-security) were neither provided along with the tenders nor to the requesting firm. Moreover, it was not even uploaded on the website. A circular was issued to all units of SPMCIL to ensure that the required details viz. specifications & drawings (wherever applicable) etc. is provided while floating tenders.
- c) **Asset register/records:** The case was taken up for investigation based on a complaint received regarding misutilization of assets like TV, cooler, heater, geyser etc by some of the executives in their quarters. The investigation revealed that no asset register/ authenticated document was maintained by the unit. A circular was issued to all units for properly maintaining, periodically updating and duly verifying asset register/ records at regular intervals.
- d) **Acceptance/rejection of materials/equipments etc:** The case was taken up for preliminary enquiry based on a complaint that there is an undue/ unjustified and abnormal delay in releasing payment of equipment supplied to a unit. The preliminary investigation revealed that there was an inordinate delay in rejection/issuing unsuitability certificate of the equipment. A circular was issued to all units to ensure that all procurement and their suitability/ rejection, payment/deduction etc. are completed within the stipulated period of time specified in the tender document and without any inordinate delay in decision making to avoid a chance of legal complication and to earn a bad name for organization.

IV. SUSTAINABILITY AND WAY FORWARD

1. The existing preventive Vigilance measures include CTE Type Inspections, Annual Physical Verification (APV) of Stocks, Surprise Inspections in APV, Surprise Observance of Tender Opening, Study of selected tender documents, Surprise Inspections of stocks, process of bill payments, etc, Quarterly Interaction Meetings, Dissemination of Rules, Regulations and CVC guidelines, Study of all tender documents under Integrity Pact, Dissemination of Information

Report, Examination of Internal Audit Reports, Scrutiny of Annual Property Returns (APRs) and Vendor's registration and its periodical review, etc.

2. The improvement in the system is a continuous process. In its compliance, some of the system improvements proposed to be undertaken in future are Vigilance Module in SAP, formation of a Vigilance Manual, E-procurement, Standard Operating Procedures for all types of processes of SPMCIL, 100% payment through e-payment, Completion of vendor's empanelment process in a time bound manner and subsequently its periodical review, compliance of development/indigenization tender, check on Annual procurement & limiting PAC/Nomination tenders and Online and transparent recruitment process, etc.

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