Central Vigilance Commission

Minutes of the Annual Zonal Review Meeting with the CVOs held on 11th June, 2010 in Kolkata

The list of participants is at Annexure – A.

1. Introductory Remarks

CVC in the Chair

CVC highlighted the following issues:

(i) CVOs, particularly of Insurance sector did not fill up the prescribed format provided by the Commission for the Annual Zonal Meeting.

(ii) Data furnished by the Insurance Sector, indicated that only 50% of investigation reports were completed in time which was not a very healthy percentage.

(iii) Existing internal guidelines and procedures in an organization should be examined with reference to vigilance management to update manuals.

(iv) Recommending lenient action, subsequent to the initial recommendation of major penalty proceedings should be discouraged.

(iv) One of the areas of concern was that in large number of cases only junior officers were being recommended for disciplinary action whereas role of senior officers coming under Commission’s jurisdiction was not being examined in detail.

(v) Another area of concern was non implementation of Commission’s instructions on leveraging of technology especially Phase II, where most of the organizations were lagging behind.

CTE Presentation

CTEs made a presentation highlighting irregularities in tendering process. CVC emphasized that organizations should not repeat such irregularities in future, and take lessons from these observations. Copy of the presentation is placed at Annexure – B.
A  Leveraging Technology & Tendering Procedure:

CVC emphasized on the need to implement second phase of Leveraging Technology within a specified time frame for completely complying to Commission's guidelines. CVO would report status of the same in detail in their monthly reports.

CVC directed all CVOs to ensure that status of bills was available on web-site in chronological order, so that no bills were paid and processed out of turn.

(Action: All CVOs)

B  Pending Prosecution Cases

The CVC expressed satisfaction over disposal of cases.

C  CTE Type inspections

Most of the CVOs had undertaken CTE type inspections. CVC directed the CVOs to send a few inspection reports to the CTE Unit for information and necessary action.

(Action: All CVOs / CTE unit)

D  Agreed List

Most of the organizations had either finalized the agreed list or its preparation was in the final stage.

(Action: All CVOs)

E  Preventive vigilance

CVC emphasized on Commission's directions on Leveraging of Technology for anti-corruption activities and asked CVOs to identify areas in their organisations that could be brought under automation and covered under the programme. CVOs to report status of implementation of automation in areas identified in their monthly reports.

(Action: All CVOs)
Man-power Management and capacity building of Vigilance staff

Imparting specialized training to vigilance staff and utilization of man-power for preventive vigilance work were areas of concern, where sufficient attention needed to be given by the CVOs.

{Action: All CVOs}

Complaint Handling

CVC emphasized on need for a centralized complaint handling system in all Insurance Companies. He directed that all complaints should be first sent to the CVO for determination of vigilance angle.

{Action: All CVOs}

Other issues specific to organizations

Life Insurance Corporation (LIC)

It was observed that LIC was making payments through cheques despite Commission's instructions on making e-payments. CVC directed LIC to ensure that maximum number of payments were e-payments.

CVO, LIC indicated having carried out CTE type inspections in the organization. CVC directed the CVO to send a few inspection reports to the CTE Unit for information and necessary action.

It was observed that, the status of bills was not available on the LIC website. CVC directed the matter to be taken up with the management and status reported to the Commission in the monthly reports.

{Action: CVO, LIC}

National Insurance Co. Ltd. (NICL)

CVC observed that very few e-payments were being made in the NICL. The CVO assured the Commission that the organization would making all payments as e-payments by September, 2010.
CVO intimated that a meeting on implementation of Commission’s instructions on leveraging of technology was held with the Chairman, NICL in the year 2008. However, required target could not be achieved so far. CVC directed Advisor (V K Nanda) to look into the minutes of the meeting and submit a report on implementation of leveraging technology in the organization to the Commission.

CVO, NICL informed that out of a total of 94 surprise visits undertaken seven resulted in disciplinary cases. It was decided that, actions on such visits must be taken on priority and such cases should not be referred again for investigation.

{Action: CVO, NICL & Advisor (VKN)}

New India Assurance Co. Ltd. (NIACL)

Status of implementation of leveraging of technology in NIACL was not satisfactory. CVO informed that GM (IT), NIACL was working on this issue and suitable steps had been taken in this regard. CVC directed CTE to check the status of leveraging technology in the Company.

{Action: CVO, NICL & Advisor (VKN)}

CVO mentioned about award of a contract on nomination basis to IIT, Mumbai without following the laid down procedure. CVC directed that tenders must be awarded in a transparent and fair manner and should not be awarded only on nomination basis, where there could be large numbers of bidders available

CVO was not clear about Agreed List and List of Officers of Doubtful Integrity. CVC clarified that both the lists are different and CVO may ensure maintenance of the lists separately by following the prescribed guidelines of Government of India.
Oriental Insurance Co. Ltd. (OICL)
CVC emphasized on need for regular review of all delayed cases by the CVO so that undue delay in disposal of cases could be avoided.
CVC observed that action taken on surprise visits conducted by OICL was not mentioned in the data furnished for the meeting. CVC directed that details in this regard may be reported in the next Monthly Report.
CVO stated that property returns of officials were not submitted properly/regularly and in some cases returns were not being submitted since long. It was decided that there should be uniformity in submission/scrutiny of APRs and in case APRs were not submitted, disciplinary action could be initiated.

{Action: CVO, OICL}

United India Insurance Co. Ltd. (UIICL)
CVO, UIICL intimated about a number of surprise visits untaken by the vigilance units. Secretary, CVC directed the CVO to send action taken report of such visits to the Commission in the next Monthly Report.

{Action: CVO, UIICL}

D/o Financial Services
DFS intimated the Commission that there was no full time officer at the level of Under Secretary/Deputy Secretary posted in the Vigilance Department. CVC emphasized the need of a full time officer at the level of Under Secretary/Deputy Secretary in Banking & Insurance Sector and directed DFS to report on the action taken in this regard.

{Action: CVO, DFS}

The meeting ended with vote of thanks to the Chair.
List of Participants for the Meeting on 11.06.2010:

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<tr>
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<th>Name and Details</th>
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<tbody>
<tr>
<td>1</td>
<td>Smt. Ravneet Kaur, CVO, Department of Financial Services, Room No. 38, IIIrd Floor, Jeevan Deep Building, Parliament Street, New Delhi-110001 Tele No. 23745151 Fax No. 23745151</td>
</tr>
<tr>
<td>2</td>
<td>Shri N. Tobdan, CVO, New India Assurance Co. Ltd. 87, Mahatma Gandhi Road, Fort, Mumbai-400001 Tele No. 033-22700474 Fax No. 033-22700469</td>
</tr>
<tr>
<td>4</td>
<td>Shri A.K. Roy, GM &amp; CVO, General Insurance Corp. of India Ltd., Suraksha First Floor, J.Tata Road, Church Gate, Mumbai-400020 Tele No. 022-2286150 Fax No. 022-22884011</td>
</tr>
<tr>
<td>5</td>
<td>Shri S.P. Sinha, CVO, United India Insurance Co. Ltd. H.O. 24, Whites Road, P.O. 676, Chennai-600014. Tele No. 044-28529529 Fax No. 044-28547794</td>
</tr>
<tr>
<td>6</td>
<td>Shri P. Senthil Kumar, CVO, LIC of India, Yogakshema, 4th Floor, West Wing, Jeevan Bima Marg, Mumbai-400021.</td>
</tr>
<tr>
<td>7</td>
<td>Shri C.Krishnan, CVO, Reserve Bank of India, Central Office, Central Office Building, Saheed Bhagat Singh Road, Mumbai-400023. Tele No. 022-22611080 Fax No. 022-22675094</td>
</tr>
<tr>
<td>8</td>
<td>Shri R.S. Garg, CVO, National Housing Bank, India Habitat Centre Core-5A, Lodhi Road, New Delhi Tele No. 24649043 Fax No. 24649043</td>
</tr>
<tr>
<td>9</td>
<td>Shri A.K. Chanda, CVO, National Insurance Co. Ltd., Vigilance Department, 3- Middleton Street, Kolkata-700071 Tele No. 033-22896342 Fax No. 033-22896342</td>
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Group 8: KOLKATA (11/06/10)

In one of the organisations present here,
1. Complete RFP document was not posted on the website in the downloadable format. (Tender of 2006)

During discussions, it was informed that this was done as the information contained in the bidding documents was considered to be of sensitive nature.

As per Commission's guidelines dated 6.7.04, in all such cases, the decision must be taken at the level of CMD or head of a PSU and specific reasons for not putting an open tender on website should be recorded in the concerned file. However, neither any reason is recorded in the file nor any approval of the CA seems to have been taken in this case for not uploading the complete tender documents on the website.

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2. Documentation was found to be not proper.

Correspondence was made with the bidders through e-mail seeking clarifications etc. on qualifying conditions.

However, the hard copies are not kept in record and even the soft copies of these correspondences could not be made available during inspection.

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3. Commission has been emphasizing that the selection of consultants should be made in a transparent manner through competitive bidding process.

In this case, 5 vendors were identified in an apparently ad hoc manner for further short listing. (though there were other reputed vendors also like TCS, Gartner, E&Y, C-DAC, etc).

Only, Mr IBM and Mr HP India were shortlisted for inviting commercial quotes for the consultancy job. Evaluation methodology, cut-off score, etc adopted in further short listing of these two vendors among the 5 identified vendors, was neither pre-decided nor pre-disclosed in the bidding document making the selection process non-transparent and arbitrary.
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- 2. Initial analysis of the bidders’ eligibility vis-à-vis qualifying criteria indicated that the documents submitted by the firms were insufficient to establish bidders’ eligibility. It was proposed to seek clarifications from the bidders.
- No details of correspondence made with bidders and their responses was in records.
- No further evaluation of bidders’ eligibility it appears was carried out.
- Even though the bidders were not meeting the qualifying requirements as per the initial analysis, they were qualified based on the evaluation carried out by the consultant M/s HP India. The consultant did not carry out any detailed analysis of the bidders’ eligibility vis-à-vis qualifying criteria.

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- 3. Specifications in this case were formulated by Consultant - HP India.
- HP India did not participate directly in the bidding process but their products were quoted by other vendors (HCL and TCS).
- HP India, thus indirectly participated in the bidding process and HP products were evaluated by HP itself as a consultant having conflict of interest.

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- The offer of HCL was recommended by the Consultant.
- Matter was referred to IIT Mumbai as there was no TPCC Benchmark for product offered.
- IIT, Mumbai indicated that offer of HCL was deficient & the cores would have to be increased from 18 to 30 to meet Bank’s requirement of 9,00,000 TPC-C rating.
- Offer of HCL was not as per the specified requirement and should be disqualified but the consultants recommended this offer as meeting the specified requirements.

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(HCL finally absorbed the additional cost due to increase in nos. of cores from 18 to 30 and increase in memory from 8GB to 16 GB per core, there was no change in ranking due to these additional costs).
However, the fact remains that HCL’s offer was not as per the specified requirement and but for M/s HP, who recommended its own products despite not meeting the specified requirement, the firm would not have got qualified. Moreover, these issues should have been sorted out before price bid opening.
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- In a Corporation present here, for a value of a project of Rs.17 crore only, the prequalification conditions was that the bidder must have an average Annual turnover of Rs.250 crores.
- A firm X was meeting the average annual turnover requirement of Rs.250 crores but the bid was rejected since turn over in one of the years was less than Rs.250 crores. According to Corporation, this was for want of turnover of Rs.250 crores in each of the three years.
- It was not mentioned in the EOI that bidder should have minimum turnover of at least 250 crores in each of the three years.

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> Turnover (even if the job required highly specialized IT skills for implementing the project and supporting it over a period of five years) was very much on the higher side considering the estimated cost. No reasons were recorded for fixing a very high turnover figure.

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- Bidders' qualification to satisfactorily perform the contract should be determined during techno-commercial evaluation process itself.
- Acceptance / rejection of a bid, based on techno-commercial terms and conditions should be carried out before the opening of the financial bids and in the financial bids the bidders should be asked to submit prices only.

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- The Corporation had asked the bidders to submit commercial deviations also along with the price bid. A 'Post Qualification' clause was also stipulated in the tender providing for rejection of a bid in the event of a negative determination and consideration of next evaluated bid to make a similar determination of that bidder's capabilities to perform the contract satisfactorily.
- Post qualification of bidders have the scope for manipulation by rejecting bid(s) after knowing the inter se ranking of the bidders. There should not be any rejection of a bid after the financial bid opening and determination of evaluated L-1 bidder.
• Tender called for experience of implementing 'BEA Web logic' application software at two sites.
• As per evaluation committee report M/s Y mentioned experience of only one site for implementing BEA Weblogic application and was considered pre-qualified on the basis of this experience only, while as per EOI, experience of two sites was required.

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The only valid reason for disqualification of M/s X was that they did not have any experience of implementing BEA Weblogic application software though they were meeting the other qualifying condition like turnover requirement and formal relationship with BEA Weblogic. On the other hand M/s Y, who did not have any formal relationship with BEA Weblogic at the time of prequalification, was short listed that too on the basis of only one experience of implementing BEA Weblogic whereas as per EOI experience of two sites was required.

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• While the technical bids of M/s TCS and M/s HCL were rejected due to deviations in their offers, the bids of M/s CMC and M/s Wipro, which also had indicated deviations, were technically qualified for financial bid opening.
• No reasons were recorded while technically qualifying these two firms. As per tender terms, bids with deviations were to be rejected. There was no mention of any acceptable or non-acceptable deviation in the RFP.

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• Though M/s Wipro was the L1 bidder but its offer was rejected treating their price bid as incomplete as the firm had not given commercial quote for training, KVM switch, RAC interconnect switch, SLR 7 tape drive on backup and staging servers and increased the price of Oracle licenses by 40% whereas as per letter dated 25.1.08 asking for revised price bids, the Oracle license price was to remain same as in original bid.
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- While asking for the revised bids it was made clear to both the vendors (Wipro & CMC) that unit cost of Oracle licenses already submitted (in the original price bid) would be considered for commercial bid evaluation. Further, M/s CMC (L-2) had also increased the cost of Oracle licenses in its revised bid and, therefore, ticking off M/s Wipro alone was not fair.

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- Wipro was the clear L1 bidder even after loading and a further reduction in price by Wipro by agreeing to originally quoted prices of oracle licenses, was not going to affect the inter-se ranking. Rather, it was a gain to the Corporation without any undue advantage to the firm. If there were some minor infirmities in the offer of M/s Wipro, it could have been sorted out under clause C.27.5 of RFP which provides for consideration of bids not conforming to the requirements of RFP, if in the sole discretion of the Corporation, the best interest of the Corporation would be served.

- However, the Corporation chose to award contract to M/s CMC (L2), incurring an extra expenditure of more than Rs.2.0 crores.

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- Posting details of award of contracts on website
- Commission has issued circulars requiring details of award of contracts to be posted on the website. However, these guidelines are not being followed in LIC (as late as Nov 2009)

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- In a corporation, a Prof. of IIT, Mumbai is appointed as IT consultant since 1999. He was appointed on nomination basis initially for a period of one year. However, his term is being extended every year and the current assignment is upto 28.4.2010. An amount of Rs.9,41,600/- plus service tax (total Rs.10,57,982/-) is being paid in advance to IIT Mumbai every year besides the traveling and stay expenses of the Consultant.
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- Commission’s guidelines emphasize that the selection of consultants should be made in a transparent manner through competitive bidding process.
- The scope of work and role of consultants should also be clearly defined and the contract should incorporate clauses having adequate provisions to penalize the consultants in case of defaults by them at any stage of the project including delays attributable to them. Further, the role of the consultants should be advisory and recommendatory and final authority and responsibility should be with the departmental officers only. This is not being adhered to.

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- On checking the configuration of the desktop computers supplied against this contract and installed in the rooms of CVO and Chief Manager (Vig), it is noted that:
  a). Though the specified motherboard is ECS/Gigabyte/Asus/MSI @ 1Ghz bus but motherboard name is indicated as ‘unknown’.
  b). Specified chipset is ECS/AMD/ATI/INVIDIA but no make/model of the chipset is indicated.
  c). As regards memory, no details about type, channels, frequency, etc are indicated.
  d). L2 cache value is indicated as 512 KB (Asynchronous) as against 1 MB specified.

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Thank You