

Book on
Vigilance Cases in Coal India Limited
Volume-II
Year 2015-2016





An error does not become truth by reason of multiplied propagation, nor does truth become error because nobody sees it. Truth stands, even if there be no public support. It is self-sustained.

Mahatma Gandhi



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Vigilance Cases in Coal India Limited
Volume-II
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Coal India Limited

कोल इण्डिया लिमिटेड

Vigilance Department

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Value Card for Coal Indians

Ethical Expectations from Employees of the Company

- Maintain high ethical standards and honesty.
- Maintain accountability and transparency.
- Never frustrate or undermine the policies, decisions and action taken in public interest & maintain discipline in discharge of duties and be liable to implement the lawful orders duly communicated to him.
- Declare any private interests relating to his public duties and take steps to resolve any conflicts in a way that protects the public interest.
- Maintain organisation's independence, integrity, dignity and impartiality by not bringing outside influence.
- Take decisions solely in public interest and use or cause to use public resources efficiently, effectively and economically.
- Make choices, take decisions and make recommendations on merit alone.
- Not place himself under any financial or other obligations to any individual or organisations which may influence him in the performance of his official duties.
- Not misuse his position as public servant and not take decisions in order to derive financial or material benefits for himself, his family or his friends.
- Act with fairness and impartiality and not discriminate against anyone, particularly the poor and the under-privileged sections of society.
- Perform and discharge his duties with the highest degree of professionalism and dedication to the best of his abilities.
- Non-indulgence in any act which has effect of tarnishing image of the company and lower its esteem in public perception.

Core Values of Coal Indians

- **Devotion to Duty** : Devotion to their duties entails getting rid of lethargy, inefficiency and indifference.
- **Sense of Mission** : Focus on the Mission and Vision identified for the organization and work with utmost zeal for greater good.
- **Integrity & Honesty** : 'Integrity' is working as per own conscience and putting the obligations of public services above own personal interest. 'Honesty' is being truthful and open.
- **Courage of Conviction** : 'Courage' means mustering the strength and will to do what is right, even when circumstances are adverse and frightening.
- **Spirit of Service & Sacrifice** : Service to something greater than self which should be inspired for national cause and concern for societal good.
- **Sense of Fairness** : The trait of Fairness includes objectivity, impartiality, equity, justice and free from bias or discrimination.
- **Upholders of Public interest** : The officials in a PSU hold their position as a trustee of public interest, hence it clearly underlies non-use of official position for personal gains.
- **Accountability & Responsibility** : Feel Accountability & Responsibility towards the organization and be accountable for own actions.

सुतीर्थ भट्टाचार्य
Sutirtha
Bhattacharya
Chairman-cum-Managing
Director



कोल इण्डिया लिमिटेड
COAL INDIA LIMITED
(A Maharatna Company)
"COAL BHAWAN"
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FOREWORD

Vigilance activity, in any organization, is an integral part of the management function. The raison d'être of such activity is not to reduce but to enhance the level of managerial efficiency and effectiveness in the organization. The organizations, particularly PSUs in Government of India, are required to conduct its business in a most fair and transparent manner. At the same time, it has to be competitive and profitable. We, in Coal India, strive to be an organisation which conducts its business with highest standards of ethics and integrity.

Preventive Vigilance is a tool of good governance and it should be viewed as such. As part of preventive vigilance, sharing of good practices is an important element. Documentation of irregularities noticed while examination of cases and taking lessons from them is an essential exercise in this direction. I am happy to learn that like last year the Vigilance Division, Coal India Limited is bringing out the "Book of Vigilance Cases in CIL" this year also. This publication compiles the importance cases having vigilance overtones investigated during the course of the year. The case studies are an effective tool to analyze the reasons for failures in the system in a real working situations. Similarly documentation of system improvement suggestions made after analysis of vigilance cases or specific studies serves as a useful guide for taking corrective measures.

We have instituted an award for Excellence in Vigilance to recognise the efforts of vigilance officers in safeguarding the interest of the organisation. The case studies and system improvement studies received from CIL & Subsidiaries as the nominated by CVOs have been judged by Sri A K Maitra, Advisor (Rail) for "Vigilance Excellence Award" to be given on CIL foundation day.

I am sure, this compilation of case studies will be helpful in the endeavour of preventive vigilance. It will sensitize the executives to avoid such irregularities /lapses in their own working. I commend Vigilance divisions of CIL and subsidiary companies for their endeavour of preventive vigilance measures.


(Sutirtha Bhattacharya)

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CASE STUDY - 1

SUBJECT

NON- DEDUCTION OF LEVIABLE PENALTY AS SPECIFIED IN WORK ORDER

M/s. ABC Joint Venture was awarded work vide order No. WO dated DD.MM.YYYY for extraction & transportation of X lakh MT coal and Y lakh cum OB respectively in M months for the awarded value of ₹ 471.78 Crores. It is alleged that till nth RA Bill (January, 2015), the contractor was paid ₹ 105.85 Crore out of which an excess payment of ₹28.09 Crore was made to the contractor by the Company.

FACTS IN BRIEF

During investigation, it was revealed that;

1. Company's Board in its 291st meeting approved for awarding the work to M/s. ABC Joint Venture for removal of "Y"lakh cum OB and for extraction & transportation of "X"lakh cum Coal from Hired patch of company for a period of "M" months with total financial involvement of ₹ 471.78 Crores only, at diesel base price of ₹ 49.01/litre.
2. Accordingly Letter of Acceptance (LOA) was issued from the company and subsequently formal work order vide no. WO Dt. DD.MM.YYYY was issued in which the item of work, quantity, rate and total amount of work has been specified. During execution of the work, RA Bills have been raised by the contractor and payment to the contractor is being made from time to time.
3. During verification, it was learnt that the contractor i.e. M/s ABC JV has actually executed "P" Cum of in-situ OB, "Q" Cum of loose OB and dispatched "R" Te. of Coal upto January' 2015.
4. It was further learnt that out of the total amount, after due deductions, (such as I.Tax, Security Deposit, Energy Charges, Penalty for non-achievement of Target, etc.) an amount of ₹ 98.20 Crores has been paid against achievement till Jan' 2015 as per the terms of the work order.
5. It was revealed that in addition to above, an amount of ₹ 5.63 Crores has been paid against Diesel Escalation till Jan' 2015 after deduction of I.Tax and Security Deposit as per clause of the work order.
6. Non- deduction of leviable penalty, as per terms of work order, from the running bills of agency who was awarded the work for extraction and transportation of Coal / OB from Hired patch.

IRREGULARITIES OBSERVED

During verification, it was learnt that the contractor M/s ABC Joint Venture has actually executed 74.12 lakh cum of in-situ OB, 41.26 lakh cum of loose OB and dispatched 8.43 lakh Te of Coal upto January' 2015.

In the instant case, the gross payment was made to the Contractor by the officials as per clause 13(A) of work order to the tune of ₹ 105.85 Crores and net payment of ₹ 98.20 Crores upto January, 2015 [i.e. upto nth R.A. Bill].

During verification, it was found that out of the total gross amount of ₹ 105.85 Crores and after due deductions, such as I.Tax, Security Deposit, Energy Charges and penalty for non-achievement of target, an amount of ₹ 98.20 Crores has been made by Company to the contractor till Jan'2015, as per the terms of the work order.

The deduction relating to penalty made by company was ₹ 24.51 Lakhs (from 1st RA to 19th RA bills). This was checked/calculated by Vigilance Department and found that officials have not made any communication with the contractor intimating approval/acceptance of any hindrance.

As there was no approved hindrance in this case, Vigilance Department calculated penalty amount (1st RA to 19th RA bills) leviable which amounts to ₹ 8.49 Crores whereas, management has deducted only ₹ 24.51 Lakhs towards penalty.

As such the balance leviable penalty amount of ₹ 8.25 Crores is required to be deducted from the contractor's bill.

Since it is a running contract, the excess deduction may be adjusted from future running bills.

ACTION TAKEN

Minor RDA proceedings were initiated against the 11 officials and warning issued to three officials who were found responsible for aforesaid lapses.

CASE STUDY - 2

SUBJECT

DEDUCTION OF PENAL RENT ON THE SELECTIVE BASIS

Substantial number of executives were transferred from other subsidiaries of CIL and have not vacated company's quarter but for recovery of penal/market rent, selected executives including the complainant have been targeted on selective basis, while the others have been exempted from such recovery.

FACTS DISCLOSED

Wage Board employees of a company were selected and placed as executive in different subsidiaries of CIL and most of them have not vacated the company's accommodation allotted to them.

The matter was taken up with In-charge authority, who handed over a copy of CIL Executives House Rent Allowance rules 2010 as per which (rule 9.2) in case of transfer an executive can retain the accommodation for a period of six months on normal license fee for the bonafide use of the executive or members of his/her family.

In-charge, further handed over copies of letter written by him to higher authority of other subsidiaries for recovery of the penal/market rent from the officers named therein for non- vacation of Company's quarters. It is observed that letters were issued on the selective/undefined manner as such letter for recovery has been sent in respect of some officials and no correspondence made regarding vacation of company's quarter for recovery of penal/market rent in respect of some officials.

It appears that there may be several other still occupying company's accommodation in respect of whom no correspondence has been made. When asked about the selective targeting of executives for recovery of penal rent/market rent, In-charge, stated that he is not given any intimation or copy of transfer and release order of the executives. Whatever correspondence has been made by him is on the basis of personal knowledge or when FO, Pay Office sought NOC for issuing Last Pay Certificate.

Copies of LPC and NOC were obtained from Finance Officer (Pay), Pay Office. On perusal of the same, it is seen that NOC for quarter was not obtained in most of the cases including that of complainant and five others named by him in the complaint.

During the verification FO(Pay) intimated that non-recovery of House rent from executives transferred from this company was raised by Audit Officer, CAG. Ever since, this report before issuing the LPC, NOC from concerned department is being obtained regarding occupation of company's accommodation.

OBSERVATION

1. There is no proper system/procedure with the concerned department to deal with vacation of quarters in case of transfer to other companies. The practice of obtaining NOC should be religiously followed instead of using it arbitrarily or off and on.
2. Shri "X" posted in ECL in Nov,2007, Shri "Y" in 2011 and the others in June,2012. Letters for vacation of quarter/recovery of penal/market rent was written by In-charge, in Aug,2013 followed by reminder in Sept,2014 no action was taken in between.
3. Besides the above mentioned correspondence no follow up action to confirm recovery of the rent and crediting it to the company was taken.

It will not be out place to mention here that rule 9.4 and 9.5 of CIL,HRA rules 2010 provides for retention of the quarter beyond the grace period with the approval of the competent authority on twice the licence fee or normal licence fee with reasons to be recorded in writing.

ACTION TAKEN

RDA Minor penalty initiated against the 05 concerned officials found responsible for aforesaid lapses.

CASE STUDY - 3

SUBJECT

IRREGULARITIES IN A CONTRACTUAL WORK FOR LOADING AND TRANSPORTATION OF COAL FROM AN OPEN CAST PROJECT/MINE TO A COAL WASHERY SITUATED AT A DISTANCE OF 13 KMS

BRIEF OF THE CASE

The subject case was registered as an outcome of an intensive Technical Examination (ITE) conducted in a coal transportation contract to be executed from an "Open Cast Project/Mine to a Coal Washery" for a period of seven months for 1.5 lakh tonnes of coal.

The complete case file was collected for ITE and was scrutinized and examined from the estimating stages till the final award stage and due clarifications in areas of doubt and non-clarity were obtained from the officials concerned. The tendering process was found in line with norms and no significant lapses or irregularity were observed.

Secondly the execution stages were also critically examined for fulfilment of the laid down norms and clauses of the GTC/STC of the contract, which was forming a part of the NIT.

The complete transportation process and connected details, which lasted for approximately seven months with about 8350 trucks involved in transportation of 1.5 lakhs tones of Washery Grade-IV coal was scrutinized and examined.

Monthly reconciliation reports which were accepted for payment of running on a/c bills reflected that weighment of only Washery end were considered and recorded in the report and were accepted for bill processing and payments.

This act was not found in line with GTC clauses as reconciliation demanded both ends consideration as spelled below.

The clauses no. 18 of GTC was found clearly speaking of the fact that:

In case the trucks are being weighed both at loading end as well as unloading end, the figures of weighment at both the ends shall be reconciled every month in respect of each contractor and if there is any shortages of coal received at the unloading end, the value of coal found short, will be deducted at double the then prevailing rate including all royalty, cess, from the security deposit of the transporting contractor(s) concerned or otherwise specifically mentioned in work order/agreement."

Upon investigation, it came to the fore that loading end weighments were not considered for preparation of the reconciliation report and payments were released on the basis of the reconciliation reports prepared solely on the receiving end weighment details i.e. Washery end, ignoring the loading end weighment data.

Weighment data connected with the loading end (open cast mine weigh bridge) were requisitioned and were scrutinized and tabulated for estimating the en-route losses, if any, which was making the contractor accountable for payment of double the coal price as per clauses no: 18

Prime-facie, it appeared that significant losses were evident in between the two ends of transportation and no recording/ accounting was made anywhere in the contract documents regarding this.

Records and data pertaining to more than 8000 trucks used for transportation during the contract period were critically examined and further scrutinized for each detail like weighment at both the ends, challans details indicating differences in weight, actual data generated by the weighbridges of both ends

Investigation into the matter further revealed that executing officials have considered a weight loss factor on account of an en-route drainage of the water used for quenching of a supposedly active fire existent in the said coal stock and the entire weight loss at the destination end which was about 12-13 kms away from the loading site, was attributed on this account.

Investigation further revealed that subsequent upon observation of weight loss between both the ends of transportation, a sample study of only two trucks was conducted in the matter, which indicated a tentative weight loss of about 450 kgs per truck. However, ignoring the provisions of GTC, an adhoc decision was taken by the project authorities to consider the receiving end for billing and other purposes as because the loading end weights are erroneous because of the fire existent in the stock and en-route drainage of water used for quenching, from trucks. This irregular decision was not even approved /vetted by Area GM. It was pertinent to note that several trucks were found delivering coal at the receiving end with a shortage quantity of 1000-3000 kgs and even more at times and the project officials kept on ignoring it, which was later clarified that it was done on the grounds of the adhoc decision taken at Project level, which allowed them to consider the receiving end weights for billing and other purposes.

It was also brought out in the investigation that Project officials shifted the designated loading end weighbridge (which was very near to the loading point) to a distant weighbridge situated at 3.9 kms away from the loading point in the name of earlier weighbridge remaining overcrowded most of the times. It is pertinent to mention that the water losses of about 450 Kgs was assessed with nearby loading end weighbridge while during the transportation majority of the shortages were based on reconciliation with loading end weighbridge situated at 3.9 KM away from actual loading point, which was again minimizing the loss due to water drainage and chances of losses/pilferages en-route was getting more evident, indicating wilful connivance of officials and connected transporter.

The instant condition of the contract wherein significant amount of coal shortages were present between both the ends of transportation, demanded implementation of clause no.18 of the contract (as noted above) which was asking for deductions

against shortage quantity at double the then prevailing rate including all royalty, cess, from the security deposit of the transporting contractor(s) concerned or otherwise specifically mentioned in work order/agreement.

Investigation further revealed that weighment at loading end were deliberately bypassed for a substantial period of time to evade the above said clause, when the quantity of losses started further increasing. Instead of taking any step to arrest the leakage / losses of coal en-route, a further defective and irregular decision was taken with a pre-disposed intent to save the contractor from resultant penalty becoming payable out of clause no. 18, which comes into force only when weighments at both the ends were being done.

IRREGULARITIES OBSERVED

The complete transportation case had suffered a series of lapses from the very beginning and has been found violating upon the major guidelines of the GTC, laid down for effective implementation and execution of the contract.

The project on the basis of sample study of two trucks recommended for consideration of receiving end weights for billing and other purposes without any reconciliation with the weights recorded at loading points. Hence whatsoever the conditions of contract might have been, since these issues (shortfall against fire quenching) were not deliberated during the tendering process/award of work nor had any post tendering competent approvals of HQ, the decision of the Project officials was not only irregular but it was in excess of discretion. Project officials have thus favoured the contractor in many ways including protection against any probable penalty for short transportation in cases of weight difference at both the ends in light of GTC clause no.18.

A total of 8350 trips were found transported during the transportation period out of which only 5478 trips were weighed at both the ends and were found having shortages to the tunes of 2837 tes. which demanded penalty deductions of not less than Rupees 66 lakhs (@ prevailing price of W-IV grade coal) for the coal found short at the destination/ receiving end as per contract clause no:18 which stipulated deductions @ of double the price of the amount of coal found short under the existing conditions of the contract.

OUTCOME

Punitive

Three officials, namely Project Officer, Colliery Manager and Transport Officer were found responsible for allowing the faulty reconciliation process which resulted in loss to the Company in the form of lesser coal being received at the destination end (Washery) and correspondingly relieving the contractor of the resultant penalty falling due in line of clause no. 18 of the GTC of the contract, were proceeded with Major Penalty Proceedings. Enquiry has been completed and the IA has held the charges as proved.

Preventive

System improvement in this regard has been issued and matter has been brought in the notice of the competent authority regarding the above non compliances of the contract provisions which were resulting in pecuniary losses of high tunes to the Company and vis-a-vis gain to the contractors.

It was recommended for stricter implementation of clause no. 17 and 18 of the contract as because if weighment is not done at the loading point clause no.18 cannot be applied and thus helps as an escape route to the transporters /contractors from imposition / deductions of penalty provisions.

Considering the huge volumes of coal transportation taking place in the Company (to the tunes of millions of tonnes) implementation of the aforesaid clauses may result in recovery in crores of rupees as shortfall resultant in coal transportation contracts under progress in the Company.

This will further improve upon the transparency and effectiveness of contract implementation as because contractors will also come forward to prevent losses/ any pilferages in transit.

Recovery of the penalty amount for ₹ 1,19,95,411(One crore nineteen lakhs ninety five thousand four hundred eleven) falling due against the total shortfall of 4257 tes encountered in the transportation including the period for which loading end weight was not taken, has been processed from the Area for realizationand is under active implementation. Security Money to the tunes of ₹ 10 lakhs has already been seized.

CASE STUDY – 4

SUBJECT

NON-IMPLEMENTATION OF PROVISIONS OF POLICY OF TAPERING LINKAGE TO FSA CONSUMERS M/S XYZ LTD., M/S ABC LTD. AT XXX CAUSING NON RECOVERY OF APPROXIMATELY ₹ 20 CRORES

BRIEF OF THE CASE

As per source information received, information related with tapering linkage was collected from S&M department,XXX. It was found that Guidelines/policy relating to allocation of Coal on tapering basis to various consumers of Power, cement and Sponge Iron was issued by MOC Vide 23011/39/2008-CPD dated 26.02.2010 therein it was mentioned that “Tapering linkage” is the short term linkage which is provided to the coal consumers, who have been allocated captive coal block(s),for meeting coal requirements of its linked End Use plant(s)(EUP) in such cases where the development/production of coal block(s) allocated for this particular EUP is not synchronized with the operation/requirement of coal of the EUP. Para -5 of said guide line states that normal linkage of end use plant(s),if any, linked to coal block(s) subsequently allocated will be converted into tapering linkage from the date of allocation of block and Para 8 states that during the maximum period of three years , beyond the normative date of production of the given Coal block ,coal will be supplied to the consumer as per following norms: 1st year: 75% of ACQ quantity as in FSA already in vogue/LOA quantity or Quantity recommended by Coal Controller; 2nd year: 50% of above and 3rd year: 25% of above.

In continuation to the above guideline vide letter dated 24.06.10 CIL forwarded a letter dated 26.05.10 from Coal controller Organization(CCO) to the subsidiary companies including XXX , wherein normative date of production was indicated in respect of various consumers who had been allocated captive coal block. CIL also instructed the subsidiary companies to charge add-on price @40% of notified basic price for supplies beyond the normative date of production which was reduced to 20% effective from 16.12.13. It was also mentioned that Supplies will be made only under FSA with suitable amendment as may be necessary.

Subsequently vide letter 16/17.08.10 CGM(S&M-SO),CIL forwarded the letter date 05/09.08.10 of Dy Director , CCO, enclosing the list of consumers who had been allotted blocks by MOC with address/location of the EUPs along with their capacity as per the block allocation letter of MOC for needful action at the subsidiary end.

IRREGULARITIES OBSERVED

Name of coal block, capacity and location of EUP and name of allottees having FSA with XXX was circulated by CCO letter dated 26.05.10. CCO vide letter

dated 5/9.08.10 further circulated name of coal block, capacity and location of EUP and name of allottees having FSA with CCL. It has been observed that M/s XYZ Limited and M/s ABC Limited though appeared in the list of coal block allottees provided by CCO but have subsequently lifted coal from XXX under normal linkage even after normative date of production. After receipt of policy guideline and letters of CCO about allocation of coal block and location of EUP vide letters of May and August 2010 S&M department failed to act in a diligent manner.

In case of M/s XYZ Limited though it was indicated in the CCO's letter that party has been allocated coal block with normative date of production falling in the year 2009 for Sponge Iron Plant of the company but department remained idle in the matter for converting the normal linkage into the tapering linkage. The supply of coal was stopped to the unit only after receipt of letter of CIL dated 10/11.01.2012 which instructed for restriction of coal supply to all such consumers who have been allocated coal blocks as per the tapering linkage policy circulated by CIL/MOC and for making normal coal supply to such units only if it is specifically mentioned by CCO/MOC that the unit/Kiln is not linked to the allotted coal block.

As per the Tapering Linkage policy dated 26.02.10 and above letters of CCO, the coal supply to the unit of M/s XYZ Ltd. was to be restricted w.e.f. normative date of production of the coal block (in the year 2009) but the party did not sign the side tapering agreement. The party lifted coal in excess of tapered/ restricted quantity all the three years subsequent to normative date of production of the block. Moreover, add-on price of 40% was not charged on the quantity lifted during the tapered period after coming into the force of the policy from 26.02.10. The lapses resulted in loss of amount to the tune of Rs 4 Cr (approx) to the company and corresponding gain to the consumer.

In case of M/s ABC Ltd. vide CCO letter dated 26.05.2010 it was indicated that M/s ABC Limited was allocated coal block with normative date of production falling in the year 2009 and against the detail of EUP "unidentified capacity of SIP" was mentioned. In the subsequent letter of the CCO dated 5/9.08.10 the detail of EUP was changed to "not mentioned" from mention of "unidentified capacity of SIP" in the previous letter of 26.05.10. XXX was supplying coal to said consumer as per normal linkage to Captive power plant (CPP) however after receipt of the CCO's letter dated 5/9.08.10, S&M department has not brought out this fact to the light of concerned authority, it remained passive and continued to supply coal under normal linkage to CPP.

Subsequently even on getting direction for restriction of coal supply from CIL vide letter dated 10/11.01.2012, neither any clarification was sought by XXX about said unit of M/s ABC Ltd nor action to restrict the supply of coal to the unit was taken.

As per the Tapering Linkage policy dated 26.02.10, the coal supply to the unit was to be restricted w.e.f. normative date of production in the year 2009 but the

party was not asked to sign the side tapering agreement. The party lifted coal in excess of tapered/ restricted quantity for not only all the three years subsequent to 2009 but also beyond that, upto March 2014. Moreover, add-on price of 40% was not charged on the quantity lifted during the tapered period and beyond tapered period. The lapses resulted in loss of amount to the tune of ₹ 16 Cr (approx) to the company and corresponding gain to the consumer.

Later on in the year 2015 supplementary bills of M/s XYZ Limited for ₹ 4 crore and M/s ABC Limited ₹ 16 crore, totaling ₹ 20 crore was raised.

OUTCOME

Disciplinary action under Major PP has been initiated by the Disciplinary Authority against the official of the S&M department.

During the progress of investigation, by forfeiture of BG of M/s ABC Ltd and their sister concern ₹ 16 crore was recovered. Process of recovery of ₹ 4 crore from the other party M/s XYZ is under progress.

CASE STUDY - 5

SUBJECT

MIS-APPROPRIATION OF CAPITAL FUND MADE BY A CONTRACTOR IN CONNIVANCE WITH THE OFFICIALS OF AREA AND HQ BY SUBMITTING FALSE BILLS & WITHOUT EXECUTION OF WORKS THEREBY CAUSING FINANCIAL LOSS TO THE COMPANY TO THE TUNE OF RS 133 CRORE DURING 2009-10 AND 2010-11

BRIEF OF THE CASE

A complaint dated 13.08.2012 regarding excess expenditure beyond approved budget and release of fund to a particular Area in one of the subsidiary companies was received by Vigilance Division for verification. The main allegations contained in the complaint are recited below: -

- i) Income Tax Department conducted verification of cash transfer from one account to another in Nov, 2011. The team has found a Contractor/Supplier, of one of the areas of subsidiary Company is proprietor of many firms under different fake names and has received payments of more than Rs 150 crore from the Company by submitting false/fabricated bills in last 5-7 years. The contractor is very close to one of the FDs of the Company and has earned crore of rupees in connivance with the company's management and has also managed the CBI & Income Tax Deptt.
- ii) The contractor is very close to one of the FDs of the company and having joint property in different places of the country like Rajarhat, Kolkata and Delhi.
- iii) The documents related to execution of works and payments made were knowingly destroyed/removed by the Contractor.

IRREGULARITIES OBSERVED

- 1) Capital fund of ₹ 230 crore and ₹ 350 crore was communicated to the subsidiary Company by Holding Company during 2009-10 and 2010-11 respectively. Project & Planning Deptt., of the Company allocated budget to all Areas to the tune of ₹ 88.15 crore and ₹ 142.24 crore after retaining ₹ 141.85 crore and ₹ 207.76 crores at HQ during the aforesaid period. Such retention huge capital fund had no justification which subsequently has been found have been misused for channelizing excessive fund to single Area. Re-appropriation of capital budget was made during the aforesaid period to the tune of Rs 56.66 crore in 2009-10 and ₹ 120.65 crore in 2010-11 and 76% and 74% of the aforesaid fund was re-allocated to a particular area with ulterior motive thereby large no. of new works which were provided fund in anticipation inclusion in the budget but same was not intimated to

Director (F)/CMD as was required under Delegation of Powers of Divisional Directors of the Company.

- 2) The Area received capital fund from Fund Section to the tune of ₹ 49.24 crore and ₹ 92.13 crores in the year 2009-10 & 2010-11 against the approved capital budget of ₹ 5.63 crore and ₹ 2.09 crore respectively. Examination of the available documents reveals that allocation of budget to new works in anticipation of provision in budget and re-appropriation of capital budget used to be done without competent approval mostly by the GM (P&P), P&P Deptt. Even in cases which were approved by FD in-charge P&P, it was not informed to CMD/D(F) within 10 days as required by DOP of Divisional Directors of the Company.
- 3) The preparation and allocation of capital budget is done based on the expenditure incurred by the area/units of the previous year considering the advance commitment, spill over and new commitment. As such, Project Planning Deptt. was fully aware of the expenditure incurred by the Areas/units. The excess fund release to a particular Area was arising out of the budget certification given to the new works from the capital budget retained at HQ.
- 4) The authorities of the Area kept asking for abnormal amount of fund which got released by HQ without checking the works for which the excess fund released to single Area during 2009-10 and 2010-11. It is concluded that budget for the new works value of Rs 133.65 crore was certified/approved by FD In-charge, P&P and GM(P&P) during 2009-10 and 2010-11 but the same has not been intimated to Director (Fin) and CMD within 10 days as per requirement of DOP. Thus, the purpose of intimation new works undertaken during 2009-10 and 2010-11 to Director (Fin) and CMD was defeated by the in-charge of the FD P&P and has violated the DOP of Divisional Directors of the Company. They never tried to prepare revised action plan including the new activities undertaken in anticipation of inclusion in the budget and was not placed for ratification of the expenditure by the Board of the Company.
- 5) Capital payments were released from Fund Section of the Company which was under direct supervision of FD in-charge, Finance. Daily Fund Out-Flow Statement was reported to him but he did not check the variance in allocation of budget and release of fund to a particular Area knowingly during the aforesaid period thereby excess fund over allocated budget was made to the Area.
- 6) Revised action plan including the new activities undertaken during the year in anticipation of inclusion in the budget was not placed for ratification by the Board of the Company. When the original Annual plan detailing various activities was approved by the Board, it was incumbent upon the management to get the revised action plan ratified from the Board. In absence of the revised plan, the Board was kept in dark about the activity actually undertaken

and new inclusions made during the year in anticipation of inclusion of the budget. It is failure on the part of FD, in-charge P&P of the Company.

- 7) The irregularities committed at Project & Planning Deptt of the Company surfaced in Nov, 2011, all the documents/ files relating to capital budget kept at P&P Deptt were destroyed/removed from there but no action was taken against the GM (P&P) by the FD in-charge P&P. Thus, he failed to supervise/monitor the capital budget of the Company and due to acts of the commission and / or omission, company has incurred huge expenditure to a particular area.
- 8) Capital budget was allocated to the works of non-action plan and such allocation was not informed to the higher authorities by GM (P&P). It is evident from 42 original work proposals valuing of ₹ 92 lakh in which 23 works valuing ₹ 54 lakh were not included in the Annual Action Plan but budget certification was given to these works by GM (P&P) when the area has specifically mentioned 14 works were not in the Action Plan. Area itself accorded budget certification for 7 works valuing Rs 6.7 lakhs without budget certification from HQ. The works not in Action Plan required approval of FD, P&P. But, no approval was taken from competent authority and Budget sanction/certification were communicated by General Manager (P&P) of the Company without having power to do so.
- 9) Fund Section prepared monthly expenditure statement (head wise /area wise) and sent the report to GM (P&P) and GM (C&B) regularly. Further, the glaring difference in the allocated budget and the released fund relating to the Area was not put up in writing for appraisal of FD, in-charge P&P. However, GM (P&P) has in his statement mentioned that the fact was known to higher authorities. He has also told that capital expenditure was one of the agenda point during monthly CGM/GMs co-ordination meeting in which all area GM/CGMs, HODs of different Deptt and FDs participated.
- 10) It was incumbent upon FD in-charge of P&P and Finance to keep themselves aware of the expenditure pattern. They were also expected to put in proper system to maintain account and control budget. It appears that copy of budget certification letter was not being sent by P&P Deptt to Fund or Cost & Budget Section and Fund section used to release funds on the indent from areas based on certification from area finance without cross checking with release from the P&P retained fund. Similarly, all allocations were not being entered in the budget control register by P&P Deptt, nor was the register inspected time to time by GM P&P or FD in-charge P&P.
- 11) Proposal for Fabrication/supply of New Tippler, Area has indicated that the work was not included in the Action Plan 2010-11 but Sr. Manager (Min) P&P Deptt recorded that the proposal was included in action plan 2010-11 and GM (P&P) communicated budget of ₹ 1.72 lakh without checking of the work with Action Plan and without competent approval.

- 12) General Manager (Fund) wrote to GM (P&P) for providing copy of capital budget as the capital expenditure was met out from the own fund of Fund Section. However, the copy was not provided to Fund Section by GM (P&P) in order to un-disclose the excess allocation of budget without competent approval.
- 13) During examination only 36 allocation letters could be traced from P&P section, it was ascertained that files were being maintained personally by GM (P&P). On most occasions, he used to issue budget certification directly without involving his section. This was one reason why all allocations were not reflected in budget control register. In this scenario, it will not be wrong to conclude that he intentionally removed all the important documents when the entire scam came to light.

OUTCOME OF INVESTIGATION

Disciplinary Action under major PP has been already initiated against the then FD, In-charge P&P and proposed to take action against the other FDs In-charge P&P, GM (P&P) and others for mis-appropriation of capital Fund and removing/destroying the documents preventing from unearth of mis-appropriation of fund.

CBI had also conducted raids at the residents of many officials of the company. CBI booked case vide No. RC/01(A)/2013(X) against the officials of the company in the matter of alleged dishonest and fraudulent payment of bills to private persons without execution of 16 civil works valuing ₹ 1.23 crore during the aforesaid period. In this regard, CBI recommended for initiation of RDA against 8 officials and prosecution sanction against 9 executives and 2 non executives of the company. Regarding allegation of joint properties with contractor by FD in-charge, P&P at Rajarhat, Kolkata and New Delhi, Vigilance Division of the Company constrains to verify such properties of outsiders.

SUGGESTION FOR FURTHER ACTION

The Capital Expenditure incurred in 2009-10 and 2010-11 in a particular Area of the Company, majority of the works were allotted to the firms of either contractor or of his family Members. All the firms purportedly received payments in connivance with the officials of the Company. The firms involved in the mis-appropriation of fund may be blacklisted and debarred from taking part in any tendering process of the Company or subsidiary Companies as per law.

CASE STUDY - 6

SUBJECT

INVESTIGATION OF A COMPLAINT RELATED TO SUPPLY AND COMMISSIONING OF LED STREET LIGHT FITTINGS

A complaint related with alleged irregularities of supply and commissioning of LED street light fitting of at one of the project of one of the subsidiary companies of Coal India Limited was taken up for investigation.

BRIEF HISTORY/FACTS OF THE CASE

Initially, a meeting was conducted by General Manager(E&M) on 23.12.2014 with the Staff Officer(E&M)s of all the projects/units wherein SO(E&M)s expressed that besides incidents of theft of light fitting, quality of light fittings and spares is area of main concern for not having desirable illumination level. They suggested based on their experience that procurement of quality light fitting and spares is very much needed for which Philips, Bajaj, GE, Crompton and Wipro make of light fitting and their spares only are recommended for procurement. They further emphasized that necessary policy be made in company, so that desired level of illumination is achieved.

GM(E&M)/HOD, based on the aforesaid minutes of the meeting of SO(E&M)s dated 23.12.2014 and annual offtake of list of items normally procured for purpose of illumination in the tune of 5/6 crores, proposed that procurement of light fittings and spares may only be made from the five reputed manufacturers

A committee was made for the purpose by the concerned Director. The Committee Members agreed with the concern of SO(E&M)s over the issues and opined that the above light fitting and spares should be procured through limited tender indicating above specific make as proposed by SO(E&M) from the manufacturers or authorized dealers having tender specific authorization. They also proposed that procurement should be made through MM department of respective projects/units observing all purchased formalities as per purchase manual and the guidelines of the company "through limited tender by e-procurement process and from the listed manufacturer or their authorized dealers/distributors, having tender specific authorization from the manufacturer. The basic and only reason for the selection of five reputed manufacturers as recommended by the committee is to safeguard the company from poor quality light fittings being procured through open tender at project level."

FDs of the subsidiary, accorded approval of the recommendations of the Committee

One of the Project of the subsidiary initiated an emergent indent of ₹ 34,65,000.00 towards procurement of LED street light fittings 90W for E&M township, Jayant Project. The estimate was prepared taking the rate of Bajaj make pressure die cast aluminium housing LED street light luminaries having product code 169557,

luminaire type BRTFG 90W LED of ₹ 33,000.00 and General Manager of the project approved the same on 14.08.2015.

Accordingly, Limited Tender Enquiry(LTE) through e-tender mode was issued by the project as per approved guidelines with the approval of General Manager, of the project to five listed manufacturers. Accordingly five parties submitted offers All the five parties were technically accepted by GM(E&M), of the project. TC members recommended for opening of the price bids of all the five firms on 24.10.2015. Price bids were opened on 27.10.2015 by the TC members recommended to award the work to the L-1 bidder at a rate of ₹ 33,288.00 per piece with total value of ₹ 33,28,800.00 (exclusive of VAT @ 14%). During this process, the TC observed that the L-1 bidder has quoted 8.75% discount with the List Price(LP) and also asked for price justification. The party submitted its price justification enclosing a notarized copy of the price list of outdoor luminaries – Street Light Luminaries effective from September, 2013. General Manager of the project approved the same on 23.11.2015. Purchase Order issued to the L1 party(authorized dealer of Philips), a copy of which has also been given to M/s Philips India Limited.

IRREGULARITY OBSERVED

A Policy decision was taken by the FDs of one of the subsidiary to go for Limited Tender Enquiry from five reputed manufacturers of LED Street Lights based on past experience and presence in the market. The name of other reputed manufacturers like Havells India, Surya Roshni Limited, Syskaetc have not been considered either by the committee or FDs of the subsidiary. The policy decision approved by the Functional Directors of Subsidiary did not appear prudent.

The authorization and the test certificate of manufacturer submitted by L1 bidder are fake as confirmed by the Manufacturer authority.

Indent, Technical specification and estimate were prepared with older model and older rate without collecting the then recent rate of other manufacturers like Manufacturer etc by Sr Manager(E&M) & In Charge of TA(E&M) .The estimate preparation/indent value preparation did not conform to the guidelines issued by CTE, CVC, GOI, dated 15.01.2012, in its "Common irregularities/lapses observed in stores/purchase contracts and guidelines for improvement in the procurement system.

TC members failed to collect the recent price catalogue of the Manufacturer, whose authorized Dealer's offer was L-1, & another manufactures' recent price catalogue. The reasonableness of the rate recommended by TC members and its approval did not conform to the guidelines issued by CTE, CVC, GOI, dated 15.01.2012, in its "Common irregularities/lapses observed in stores/purchase contracts and guidelines for improvement in the procurement system. Such material with better and higher specification with lower cost was available at the market and it was prudent to go for re-tendering at the stage when order was issued.

GM(E&M) of the project had neither collected the recent price catalogue during the pertinent time nor asked the TC members to do so.

General Manager of the project being the approving authority failed to get the proposal examined by his sub-ordinate officials in light of the knowledge of the decline trend in price of the LED lights which is a matter of common prudence.

GM(E&M) of the project was careless and negligent enough for not doing proper inspection, even proper visual inspection, of the material supplied by L1 bidder. This resulted in supply of the said material of lower specification and lower cost against the ordered one causing loss to the company of ₹ 18,88,800.00 and corresponding gain to others.

Sr Store Keeper of the project failed to make proper visual inspection of the material supplied by L1 bidder. Chief Store Keeper accepted/received the material supplied by L1 Bidder and accepted for payment in a casual and mechanically manner rather failed to use common prudence for accepting any sealed box against the supply order in as much matching the sticker pasted on the cover of the sealed box with Supply Order and opened it to check the material before accepting the same for further inspection. This resulted in supply of the said material of lower specification and lower cost.

Chief Manager(MM) & Depot Officer was also associated in the said unholy alliance with his subordinate officials and the supplier in as much as accepting the payment invoice submitted by the supplier inspite of the fact that the materials supplied were having with many deficiencies as visible with naked eye examination. He has not only failed to use common prudence for accepting any sealed box against the supply order in as much as matching the sticker pasted on the cover of the sealed box with Supply Order and opened it to check the material before accepting it for further inspection but also failed to get the same done by his subordinate officials.

Seeing the aforesaid glaring irregularities in the procurement process, it was felt necessary to conduct on spot surprise visit to ascertain as to whether the materials supplied was at par with the Supply Order. Accordingly, a Joint Inspection was conducted on 18.04.2016 by CIL Vigilance Team with the project officials and the said Joint Inspection Report (JIR dated 18.04.2016) reveals the following that the materials supplied against the supply order was of inferior specification (75W against 90W) and of lower value which in turn resulted in loss to the company of ₹ 18,88,800.00 and corresponding gain to others

Sr Manager(E&M) & In Charge of TA(E&M) requisitioned and used the LED street light fitting without proper checking as to whether the materials received/ consumed in Township of the project were confirming to the specification which was ordered by the competent authority and particularly technically specified by him. This resulted in use of the material of lower specification and lower cost against that ordered for causing loss to the company of Rs 18,88,800.00 and corresponding gain to others.

Long period of non-installation of 12 nos of the said light fittings as on date of inspection (18.04.2016) and keeping them uninstalled in the Town administration maintenance store under Sr Manager(E&M) & In Charge of TA(E&M)'s own jurisdiction, itself defeats the very purpose of emergent indent as well as genuineness on actual requirement

To cover up the matter the suspected officials put forth a Joint Inspection Report made with the Supplier to show that the Vigilance Officials of CIL during their inspection dated 18.04.2016 inspected and found the different materials and those material was for demonstration purpose supplied by the same supplier free of cost.

On critical analysis of the replies of the concerned officials, it was felt that the suspected officials were conniving with each other with a view to replace the inferior specification materials with the material as per Supply Order to make things look right. This can only be done in very short span of time by using man lifter either of the same project or of the neighbouring project.

Accordingly, a surprise visit from 05.07.2016 to 07.07.2016 at the project and the neighbouring project of the subsidiary was conducted. Documentary evidence from the neighbouring project collected and it comes to light that the man-lifter machine of the neighbouring project was used for replacement of the LED streetlight fittings at the said project.

The statement of the Man-lifter operator of the neighbouring project along with his identification of the poles where the LED street light fittings were changed and the statement of other concerned revealed the following facts that:

- a) The then GM(E&M), Sr. Manager (E&M) & In Charge of TA(E&M) and Foreman (E&M), TA Deptt of the project in connivance with the supplier made an unholy alliance to sign a joint inspection report on 27.04.2016 with an ill motive to show that the supplied LED Street Light was in line with the supply order which is detrimental to the interest of the company.
- b) Sr. Manager (E&M) & In Charge of TA(E&M) and Foreman (E&M), TA Deptt even stepped further to extend the unholy alliance to change the already fitted 75W LED street lights by new 90W LED street lights in connivance with others at least in 17 poles identified by man lifter operator.
- c) Another Astd. Foreman(E&M), TA Deptt of the project has accepted the purported Challan dated 11.02.2016 with receipt remarks without any direction against which the material has not come through regional store without proper checking of the materials. He had not received those 12 nos of 75W LED street lights which were inspected jointly by Vigilance Team of CIL on 18.04.2016 and did not kept any records of such receipt. The receipt given by him was unauthorized and facilitated the other officials of the project to make an unholy alliance with themselves and the supplier to create a fabricated document (JIR dated 27.04.2016) to hide their misdeed rather he was also part of that alliance.

The Supplier (claimed to be authorized Dealer of the Manufacturer) had submitted fake authorization certificate in the tender and fake test certificate during supply of material. The said supplier knowingly supplied LED Street Light Fitting of lower specification (XIATANUM 75W 0.7A of BRP 410 TYPE) having MRP of ₹ 14,400.00 per unit as per price catalogue against the order of BRP 322 type 90W LED Street Light Fitting costing ₹ 33288.00 per piece against the Purchase Order. This activity of deliberate cheating by the supplier caused direct loss of ₹ 18, 88, 800.00 [100x (Rs 33288-14400)] to the subsidiary.

ACTION TAKEN:

1. The concerned authority has been advised to initiate action against the supplier for banning of business and explore the possibility of recovery of loss from the contractor.
2. The case has been placed to the competent authority for disciplinary action against the erring officials.

CASE STUDY - 7

IRREGULARITIES IN PROCUREMENT OF SPARES FOR UGMMMS

1. Indents were raised for spares for SDLs and LHDs with New Part No. which is not available in the Part Book of OEM.
2. Indents were raised for procurement of "kits" without indicating the items which constitute the "kit".
3. There was no rate contract with many OEMs/OPMs of UGMMMS.
4. Renewal of RC with OEM, if any, was being done on a regular basis by HQ. However, the renewal of RC was never done before expiry thereby leaving a gap of certain period during which the RC remained invalid for operation. There was no instruction to the Areas on the methodology of procurement to be adopted during such intervening period.
5. Even the advice of Chairman, CIL regarding procurement of spares for UGMMMS from OEMs was not communicated by HOD of E&M deptt to the Areas.
6. Piece-meal indents were raised by Areas to avoid open tendering.
7. Indents were not raised in time during the validity period of Rate contract with OEM and the requirements were raised for bulk quantity immediately after expiry of validity of RC. The indent of items covered in the RC were raised shortly after expiry of RC to favor the non-OEM firms.
8. There was mistake in technical evaluation of bids and ineligible bidders (not submitted supply credential as per NIT) were also made eligible.
9. Tender committee, which is supposed to examine the offer of finally recommended bidders as per Purchase Manual clause 7.8.2(k), also failed to point out the mistake in technical evaluation.
10. Approval for placement of order on such ineligible bidders was approved by Area GMs.
11. Open tenders were floated inviting offers from manufacturers. Authorized dealers were allowed, if the manufacturer does not quote directly as a matter of policy. While accepting the offer of Dealers, Proof of manufacturer (DIC/NSIC/DGS & D/SSI/Any other document issued by Govt. agency) as per NIT requirement for substantiating the status of Principal as manufacturer of tendered item neither was submitted by the participating tenderers nor was verified by the TC members.
12. In case of placement of order on authorized dealers, copies of orders were not endorsed to Principal manufacturers to ensure genuinity of supplies.

SYSTEM IMPROVEMENT SUGGESTIONS

- a) Rate contract may be concluded with all OEMs of Underground Mining Machinery early.

- b) Continuity of the RC should be maintained by taking timely action to extend the validity of existing RC or finalization of fresh RC.
- c) Procurement of spares should not be done from traders/General Order suppliers. Till a policy is formulated in this regard, the instruction of CMD, CIL to procure the same from OEMs only should be followed.
- d) Bought-out items of OEMs could be procured by inviting bids from OEMs and OPMs (Original Part Manufacturer)
- e) Consolidation of requirement of all units/mines is not done at Area HQ level and Area Purchase Cell processes procurement against piece-meal indents (dealing the procurement unitwise/minewise and not for Area as a whole). Corrective action may be taken in this regard.
- f) There should be a standard NIT and the tender terms should not differ between areas.
- g) Efforts should be made to identify the Original Part Manufacturer (OPM) for ensuring competitive rates without compromising with quality of spares.
- h) Before expiry of Rate contracts, order covering at least 3 months' requirement should be placed to meet the requirement till the fresh RC is issued. However, if the validity of RC expires, areas may be allowed to purchase their immediate requirement from RC holder if it agrees to supply.

SUGGESTIONS OF CVC

- i) A system may be derived for registration/enlistment of firms for specific items, depending upon their capacity cum capability; mainly such firms only should be considered for floating of limited tender.
- ii) Depending upon the nature of items to be procured, there may be a scheduled procurement cycle for items having regular demands. Procurement of such items should ensure maximum possible coverage from available RCs.
- iii) In terms of Commission Circular No. 98/ORD/1 dated 18.12.2003, the web site publicity is to be given even in the case of limited tenders.
- iv) In case of procurement of non-standard items, description and specification should be proper and well defined and should not be restrictive type, so that bidders can easily understand the item to be procured.
- v) Efforts should be made in advance by taking timely action to extend the validity of RC or finalization of fresh RC, if required.
- vi) Whenever limited tender is processed for any procurement, it should be done only to cater the urgent need and should not be processed for meeting out annual requirement.

CASE STUDY - 8

SUBJECT

CASE STUDY REGARDING DEFICIENCIES OBSERVED IN PREPARATION OF ESTIMATE OF A COAL HANDLING PLANT

A complaint was received citing irregularities in the tender process of a Coal handling Plant. On investigation it was found that there were deficiencies in the preparation of estimate as there was wide variation in rate for excavation of earthwork based on different assumption of presence of soil and hard rock. Adoption of rock excavation item and ordinary soil as separate item would have prevented such a situation.

BRIEF OF THE CASE

In a tender for construction of a coal handling plant on a turnkey basis there was a sole bidder (PSU). However the offer was higher than 10% of the estimate and the reason was because the bidder has calculated cost of earthwork assuming 75% rock and 25% soil whereas the estimate was prepared with the assumption that the item of earthwork will only involve excavation of soil. Subsequently the estimate was revised and in the revised estimate, borehole data of nearby locations were obtained and on that basis, proportion of soil and rock was estimated at 25% & 75% respectively. The rate of excavation of earthwork was accordingly upwardly revised. The sole bidder which was a PSU was awarded the contract and subsequently it was during actual excavation found that only 4% rock was excavated.

IRREGULARITIES OBSERVED

It was found on investigation that officials were involved in preparation of deficient estimate and the role of members of tender committee were also found irrational. Adoption of rock excavation item and ordinary soil as separate item would have prevented such a situation.

OUTCOME

Action taken and systemic improvement suggested in this regard include:-

A System Study of CHP Contracts was carried out giving suggestions on various aspects like modification in price bid formats of Contract Management Manual, revision of eligibility criteria etc.

Two CTE type studies were also done of Planning, Design, Engineering, Construction, Fabrication, Supply, Erection, Trial Run, Commissioning & Testing of Coal Handling Plant and suggestions were given for improvement in NITs for subsequent CHPs.

It was further noticed that there was no guideline for preparation of Cost estimate for civil work of a Turnkey Job and consequently a guideline was prepared for preparing Cost estimate for civil work of a Turnkey contract.

It was further found that the existing guideline available in E&M Division was prepared way back in 2008. Accordingly a revised /updated " Report on Realistic Estimate of CHP, Silo/ Sub Station, Workshop etc for Project reports" by E&M Division was also prepared in 2014.

Specific Instructions have been given to the concerned Department/officers regarding need to adopt different rates for excavation for rock item and soil item.

Since the officers involved in tender committee and those involved in preparation of deficient estimate had already been retired, "Management Displeasure" was issued to them.

CASE STUDY - 9

SUBJECT

CASE STUDY REGARDING SYSTEM IMPROVEMENT SUGGESTED IN WORK RELATED TO TOWN ENGINEERING DEPARTMENT

An intensive examination was conducted on a contract awarded by Town Engineering Department. Certain deficiencies, deviations from NIT etc. were observed during the course of study and a detailed suggestion relating to system improvement was suggested to the concerned department.

BRIEF OF THE CASE

In the Annual Action Plan of Town Engineering Department, a provision was made of renovation of park around sewage treatment plant. However during the course of tendering, the work was expanded without the approval of competent authority, to include park on hill area which led to the upward revision of Annual action plan. Certain deficiencies in the system of procurement as well as in preparation of specifications were also observed during the course of intensive examination. It was also found that contracts are regularly being awarded on a percentage rate basis whereas Deptt. Of Expenditure has limited awarding percentage rate contract to value below ₹ 10 lacs only and has advised contracts to be awarded on lump sum basis.

IRREGULARITIES OBSERVED

It was found during the course of intensive examination that the scope of work was enhanced, without the approval of competent authority, which led to an increase of 111% of actual plan. It was also found that procurement was directly being done by TE Department without routing it through MM Division. It was also found that in certain items specifications were generic and brand based whereas there is a need for non-generic specifications to promote transparency and competition. The estimate for the work was found to be prepared on the basis of precedence whereas there was a need to adopt CPWD guidelines. It was further observed that clubbing of certain work contracts leads to exclusion of small and marginal contractors on account of enhanced turnover requirement and as a result makes response to the tender lukewarm.

OUTCOME

The report of the Intensive examination was forwarded to the concerned Department for compliance. A detailed action points/suggestions relating to system improvement of procedures/ policy etc. was suggested to the concerned Department for improvement.

CASE STUDY - 10

INTRODUCTION

In 1991 one subsidiary of Coal India Ltd. constructed one 2x10 MW Thermal Power Plant (TPP) at its own land by one power supply agency. The plant was having following major Plant and Machinery components:

- 1) 3 (three) nos. 50 T.P.H. Steam Generating Plant (Stoker fired Boilers) with auxiliaries.
- 2) 2 (two) nos.10 MW Steam Turbine Generating Set complete with turbine, Alternators etc. So, there was a provision to augment the capacity of the plant from 2x10 MW to 3x10 MW by adding one 10 MW Steam Turbine Generating Set. (Boiler was already there.).

After receiving one complaint related to unauthorized occupation of the T.P.P. by the power supply agency through CIL, the vigilance department started investigation on the matter.

On 31.03.1993, the subsidiary company entered into one lease agreement with the power supply company for 20 years with effect from 01.04.1991 to operate and maintain this plant.

As per clause no. 1.d) (page no.7 of the agreement) "The lessee (power supply company) shall have right to make addition and /or modification to the equipment, buildings at the power station at its own discretion and cost on written prior information to lessor (the subsidiary company) for efficient operation of the station, which will be deemed to be the property of the lessee."

But, in the year 2003, the power supply company had added and commissioned one 10 MW Turbine System augmenting the capacity of the plant from 2x10 MW to 3x10 MW capacity, for which no prior information was given by the said power supply company.

After expiry of lease period on 31.03.2012, the power supply company was asked to hand over the plant several times, but instead of handing over the plant, power supply company claimed ₹ 24.56 Crore as written down value of the 10 MW Turbine system added by the power supply company in 2003 and filed one writ petition to Calcutta High Court on September 2012. Thereafter Hon,ble Calcutta High Court (single Bench) by an order in March 2013 while dismissing the above writ petition directed to approach before the Ld. Arbitrator as per Arbitration clause in the lease agreement.

The power supply company filed appeal before Division bench against the above single Bench Order and the Division Bench vide order dt 19.3.14 refused to interfere with the order of Single Bench. Thereafter, Hon'ble Supreme Court of India by an order in October, 2014 appointed one retired Justice as Sole Arbitrator to arbitrate upon the disputes in May, 2015 .

The Hon'ble Arbitrator, appointed by Supreme Court of India directed both Respondent(the subsidiary company) and Claimant (power supply company) as follows:-

- a. That, the Bank guarantee of a nationalized Bank in the sum of Rs 24.7256 Crores (representing the written down value of the plant, machinery and assets installed by the claimant at the aforesaid plant as on 31.03.2012) be furnished in favour of the claimant on or before June 2015 and the said bank guarantee shall be kept with the sole arbitrator till further orders.
- b. The Claimant will hand over the possession of the plant together with all requisite documents on furnishing proof of the bank guarantee having been deposited with the sole arbitrator.

Accordingly, the subsidiary company deposited B.G. of ₹ 25 Crore and Even after the submission of B.G. on May, 2015, the possession of the plant was not handed over to the subsidiary company by the power supply company.

Thereafter the process of eviction was started, after continuous monitoring from Vigilance Department Eviction notice was served by the Estate Officer to the on August 2015 to show cause on or before 12.09.2015 why such an order for eviction should not be made.

In reference to the eviction notice the power supply company replied stating their defense.

In reply the subsidiary company Authority had also submitted para wise reply to the Estate Officer.

Thereafter on the first date of hearing on sept, 2015, the next date of hearing was fixed on October, 2015. At this stage continuous monitoring was done by the vigilance department for timely processing of Eviction Order as per public premises Act.

Again on October 2015, both the subsidiary company and the power supply company were heard by the Estate Officer, ECL and another date of hearing was allowed on October, 2015 as requested by the power supply company.

Then again on the final day of hearing both the subsidiary company and the power supply company were heard by the Estate Officer and after hearing both the parties , Estate Officer passed the Eviction Order mentioning the reasons of eviction as follows:-

- i) The power supply company never applied for renewal of lease 6 months prior to expiry of extended lease period which ended on 31,03.2012.
- ii) The subsidiary company never renewed the period of said lease beyond the date 31.03.2012 (as lease shall be renewed/extended at the option of Lessor as per terms & conditions of lease agreement).
- iii) The power supply company could not produce any document to prove that the power supply company has valid lease over the public premises in question beyond 31.03.2012.

During this processing of issuing of eviction order there was continuous monitoring from Vigilance Department, so that the Eviction Order can be issued at the earliest.

Even after issuing Eviction order in October, 2015, the power supply company did not hand over the possession of the T.P.Plant and the power supply company appealed to Kolkata high court challenging the eviction order and the Kolkata high court had referred the case to concerned District Court on 9.11.2015, directing the Ld. District judge as “ Learned district Judge is directed to take up the hearing of the appeal, if preferred immediately after reopening of the district Court after Puja vacation and pass appropriate order in connection with the said appeal before November 2015, if the appeal cannot be disposed of within the said period of time.

Immediately after issuing Eviction Order, it was disclosed by the power supply company by a letter addressed to CMD, of the subsidiary Company that, “ we are not in position to hand over the plant as the plant has been mortgaged with the Bank, which will have to be released with clearing off their liability.” Immediately after obtaining this information, the matter was followed up by vigilance department to initiate suitable legal action against the power supply company for such criminal offence on the part of the power supply company by mortgaging the plant owned by the subsidiary company.

Thereafter GM(Electrical) of the subsidiary company initiated one proposal to initiate legal action expressing the mortgaging of plant by the power supply company as “Criminal Offence” and referred the matter to HOD (Legal), who also admitted that, the mortgaging of Plant by IPCL is a breach of contract agreement and was put up before Competent authority, who directed to obtain the details of mortgaging documents.

The matter of mortgaging was raised by Panel Advocate of Supreme Court before Arbitrator on November, 2015 accordingly, FIR was drafted by in consultation with the Panel Advocate of Supreme Court and placed before competent authority for according competent approval to lodge F.I.R.

Thereafter, subsequent to constant monitoring by vigilance department, the competent authority of the subsidiary company nominated GM(Electrical) to lodge FIR against the power supply company.

Thereafter, on January, 2016 FIR has been lodged to the Officer in Charge of concerned Police Station, alleging to mortgage the thermal power plant to a Bank amounting to Criminal breach of trust and cheating the subsidiary company.

The power supply company was requested several times to provide the mortgaging details by GM(Electrical). But the power supply company did not provide the mortgaging details. Ultimately due to vigilance intervention it was published in the leading newspapers appealing all Banks to furnish the details of this mortgaging. And subsequently, the subsidiary company could know the name of the Bank to which the plant was mortgaged.

Ultimately, because of multidirectional actions as, 1) issuing of Eviction Order,

2) lodging of FIR ,3) directive of Arbitrator, 4) legal proceedings at District Court and 5) publishing of the fact of mortgaging in leading newspaper, the power supply company desired to hand over the plant before Arbitrator and has handed over the plant to the subsidiary company authority, which was illegally under possession of the power supply company for more than four years and a long pending dispute was resolved.

In this way, the subsidiary company could regain the possession of the 3x10 MW Thermal Power Plant free from all encumbrances after long four years of unauthorized occupation by the power supply company due to active participation of Electrical Department of the subsidiary company and active vigilance activity of Vigilance department of the subsidiary company.

CASE STUDY - 11

SUBJECT

FINANCIAL GAIN DUE TO SWITCHING OVER FROM ONE PRIVATE POWER SUPPLY TO CONCERNED STATE ELECTRICITY BOARD.

In one subsidiary company, 123 points were being supplied by one private power supply company and 42 points were being supplied by concerned State Electricity Board (S.E.B.). In 2014 S.E.B. announced competitive Tariff for H.V. (high voltage) Consumers in the region where the subsidiary company is situated in daily newspapers. Accordingly, on further enquiry by GM (Electrical) of the subsidiary company it was agreed by SEB that competitive tariff will be offered for existing 42 points also in addition to the switched over points, after 50% of 123 points are switched to SEB and service connection charges are deposited for all 123 points.

But there was delay in conversion of points from private power Supply Company to SEB in spite of the fact that, there was financial gain on the part of the subsidiary. After receiving one complaint through CIL on the matter of delaying the conversion, the matter was investigated and monitored further.

During investigation it was observed that, One proposal for switching over of all 123 points from the private power supply company to SEB was approved by the Board of the subsidiary company in February 2015, but it was decided in the Board that, the service connection charges are to be deposited in phases and agreement between the subsidiary company and SEB is to be vetted by legal department of the subsidiary company.

As per M.O.U. between the subsidiary company & SEB, for all 123 supply points, the subsidiary company was required to deposit ₹ 36.65 Crores to SEB as service connection charges and the subsidiary company would have got refund of ₹ 39.19 Crores from the private power supply company on surrender of these 123 supply connections. So, effectively, there was no financial involvement on the part of the subsidiary company. Rather, the subsidiary company would have a saving of ₹ 2.54 Crore (39.19 Cr. – 36.65 cr.) which would have more than offset the loss of interest on investment of ₹ 36.65 Crores for 6 months, since SEB had undertaken to complete the work of conversion of 123 no. of points in totality in 6 months after depositing the amount.

But, instead of depositing the service connection charges for all 123 points at a time it was decided in the Board meeting of the subsidiary company that,

- i) The service connection charges to be deposited after executing the agreement duly vetted by Legal Dept. and,
- ii) The service connection charge amount is to be deposited in a phased manner after execution of agreement.

This decision of Board the subsidiary company was informed to SEB and

accordingly, in the agreement the phasing of switching over was incorporated in schedule IV of the agreement.

So, considerable time was lost to finalize the agreement. The agreement could be executed on 08.06.2015. Thereafter process of payment in a phased manner started.

Proposal for deposition of service connection charges for 36 nos. points in 1st phase was initiated on 13.06.2015 and paid on 18.06.2015.

Proposal for deposition of service connection charges for 21 nos. points in 2nd phase was initiated on 04.09.2015 and approved by competent authority on 15.09.15.

However, proposal for deposition of service connection charges for 61 nos. points was initiated on 27.01.2016 after continuous monitoring by vigilance department.

There was substantial delay in deposition of service connection charges for these 61 nos. points. Total 61 nos. points was divided in two phases:-

- i) The service connection charges of ₹ 7.4 crore for 19 nos. points was deposited on 12.03.2016 and
- ii) The service connection charges for remaining 42 nos. points involving land lease was deposited after completion of 62nos(50%) of switching over on 18.07.2016

Till today i.e. 19.07.2016 total 65 no. points have been switched over to SEB, and service connection charges of remaining 42 no. points have been deposited to SEB on 18.07.2016.

So more than one year was lost to deposit the service connection charges of all 123 points, which could have been deposited much earlier i.e. more than one year earlier.

For remaining 42 no. points erection of substation at five places on the Land of the subsidiary company is required and the proposal for leasing out the land to SEB has been forwarded to Chairman, CIL seeking necessary permission of M.O.C.

For effecting this conversion of 65 no. points from the private power supply company to SEB, the subsidiary company has saved a substantial amount to the tune of of ₹ 9.17 Crore during last 12 months, since starting of 29 no. of points conversion in 2015. In last one month the saving was ₹ 1.27 Cr.

So, financial gain for conversion of 65 no. power points from IPCL to XXSEDCL comes to ₹ 10.44 Crores during last 12 months. During next 12 months this saving will increase further @ approx. 1.25 Crores per month.

After conversion of remaining 58 points the rate of financial gain will increase further.

In addition, as agreed by SEB competitive tariff is being offered to the existing 42 no. points also, resulting into saving of ₹ 3.2 Crore in last month.

So, total financial gain of the subsidiary company during last one year comes to ₹ 13.64 Crores, which could be achieved by active participation of Electrical Department of the subsidiary company and preventive vigilance activity on the part of the Vigilance department.

CASE STUDY - 12

SUBJECT

SYSTEM IMPROVEMENT FOR ADMINISTRATIVE FUNCTIONING OF ALL THE HOSPITALS AND DISPENSERIES OF ONE SUBSIDIARY OF CIL.

A complaint was received in vigilance dept. of one subsidiary of CIL, regarding (i) use of expired items in hospital kitchen which were being used for preparing patients' diet and (ii) non-availability of few doctors in their respective work places. Subsequently, one vigilance team was formed and was directed to conduct a surprise inspection at one of the Central Hospitals of that subsidiary to inspect mainly

- (1) The Kitchen Store.
- (2) Physical verification of Doctors.
- (3) General cleanliness mainly, the condition of the hospital toilets.

During the surprise Inspection, some serious irregularities were observed by the vigilance team as described below:-

- (a) Mustard oil, stored in the hospital kitchen for use was beyond the period of "Best before use".
- (b) The Emergency Medical Officer was not available either in Casualty Ward or Emergency patient's examination room or in doctor's rest room. He was found gossiping in Dental OPD.
- (c) Few other doctors were remained un-available in their specific work place during Hospital OPD hours without informing the Competent Authority as observed in Medicine OPD.
- (d) Toilets were not properly cleaned and not up to the mark.

Accordingly, one report was prepared by the vigilance team and submitted before Chief Vigilance Officer of that subsidiary who then inturn forwarded the report to the Disciplinary Authority to take necessary action in this regard.

Disciplinary Authority (D.A) then advised C.V.O. to send a proposal for "System Improvement". On behalf of CVO, the Vigilance Team then prepared a proposal for "System Improvement" in this regard and the same was sent to the CMD.

Then, as per directive of CMD, Director Personnel of that subsidiary issued an order for implementation of the "System Improvement" as described below:-

- (1) While purchasing kitchen food items, the expiry date is very important to be checked. Proper records need to be maintained indicating the items, date of purchase, date of packaging, date of expiry/ best before use, likely period of consumption (of that particular food item) along with other required details. The required provisions like date of packaging/manufacturing, date of expiry/best before use, likely period of consumption etc. as per guidelines of

standardization institutes like 'AGMARK', must be the N.I.T and subsequently in the Purchase Order. The challans to be submitted by different agencies at the time of delivery should clearly indicate the above said provisions, which are mandatorily to be checked/verified by the receiving official/personnel at store/kitchen. Where the period of best use may be considered as date of expiry.

- (2) Doctors and Para-medical staff are required to remain at their places of work during the period of duty and, if required to leave the place for important official obligations within Hospital premises, must keep their Controlling Officer informed with proper reasons and Movement Register entry to be made;
- (3) Doctors on duty at Casualty Department are more vital and must not leave their places of work without specific permission;
- (4) Toilets need to be kept properly cleaned. In case of any default action to be taken on the defaulter.

Continuous monitoring by the Vigilance Department thereafter has resulted in all round improvement in the functioning of Central Hospital which is an example of transformation in the Company and the stakeholders are getting immense benefits from the same.

CASE STUDY - 13

SUBJECT:

DELAY IN CLOSURE OF CONTRACT PERTAINING TO NIT-XXX RELATED TO WORK OF HIRING OF HEMM (SHOVEL, DRILL ETC) FOR TRANSFER AND TRANSPORTATION MATERIALS IN VARIOUS STRATA INCLUDING DRILLING, EXCAVATION, DUMPING, SPREADING DOZING AND OTHER ALLIED WORKS AT XXX PROJECT AND NON WITHHOLDING OF PENAL AMOUNT DUE TO CONTRACTOR'S FAILURE AND SUBSEQUENT RECOVERY OF THE SAME

BRIEF OF THE CASE

Substantial delay was observed during a regular investigation regarding Closure of Contract pertaining to NIT-XXX of XXX OCP, work of which was completed on 31.03.14. The contract period of the work against NIT-XXX was w.e.f. 24.11.2010 to 23.11.2013 with time extension w.e.f 24.11.2014 to 31.03.2014. The contractor discontinued the work w.e.f. 20.12.2013 and the contractor could execute only 27,06,387.00 M³ against awarded quantity of 70,00,000.00 M³ i.e. 38.66% of the awarded quantity within the contract period including the extended period.

IRREGULARITIES OBSERVED

In the instant case the closure of the contract got delayed mainly due to non-availability of Hindrance Register at the Project. Three Project Officers and four Colliery Managers had worked in the XXX OCP during the aforementioned contract period. Further, it was also observed that the Bank Guarantee submitted by the contractor towards Security Deposit was allowed to lapse by the Area Authorities. The investigation led to two major lapses pertaining to the delay in closure of the instant contract.

- (i) Non-availability of the Hindrance Register which was misplaced thereby non-finalisation of the penal amount due to failure of the contractor.
- (ii) The non-availability of recoverable amount with the authorities arising out of failure to extend the validity of Bank Guarantee (BG) or to encash the BG.

On 25.12.2015, during a surprise visit of the vigilance team, the xerox copies of the misplaced original hindrance register pertaining to the NIT-XXX w.e.f. 24.11.10 to 30.09.11 was traced from the Project Office of XXX OCP. All the Project Officers & Colliery Managers, on being asked for their versions, later submitted xerox copies of the Hindrance Register along-with their submissions. The xerox copies, as submitted made it quite clear that the old hindrance registers might have been misplaced/removed during the tenures of some of them. Further a Hindrance Register of the same contract w.e.f. 01.05.2012 to 17.12.2013 was traced by the mine management along with other documents in (Mine Time Keeper) MTK Office and was deposited to the vigilance secretariat on 11.02.2016.

The Hindrance Register (w.e.f. 01.05.2012 to 17.12.2013) which was traced in the MTK Office was scrutinized and it was observed that a total shortfall quantity in the tune of 3,27,200 M³ had been recorded as failure due to the contractor's fault. Against the above mentioned shortfall quantity, a gist of which is appended below, deduction had been made only for 26249 M³ amounting ₹ 3,42,090.00 which had been withheld in the 20th on a/c bill of the contractor.

Month	Based on the hindrance register w.e.f. 01.05.2012 to 17.12.2013	
May-12	Shortfall Quantity (CuM) due to Contractor's fault	16600
	Quantity for which Penalty Deduction was made	5480
Jun-12	Shortfall Quantity (CuM) due to Contractor's fault	84832
	Quantity for which Penalty Deduction was made	20769
Jul-12	Shortfall Quantity (CuM) due to Contractor's fault	150900
	Quantity for which Penalty Deduction was made	0
Aug-12	Shortfall Quantity (CuM) due to Contractor's fault	35728
	Quantity for which Penalty Deduction was made	0
Sep-12	Shortfall Quantity (CuM) due to Contractor's fault	39140
	Quantity for which Penalty Deduction was made	0
Total	Shortfall Quantity (CuM) due to Contractor's fault	327200
	Quantity for which Penalty Deduction was made	26249

The date-wise entries into the Hindrance Register (w.e.f. 01.05.2012 to 17.12.2013) during the months of July-12 to Sept-12 contradict the 'No-Penalty' certificates issued every month by the then Project Officer and Colliery Manager for payment of monthly on a/c bills. In those three months, in-spite of there being entries indicating failures due to contractor's fault, no penalty had been deducted and subsequently 'No Penalty' certificates had been issued by them. This clearly indicates mala-fide intension while extending financial benefit to the contractor. Considering base rate at that time as 45.00/M³, the financial implication for this lapse comes to about ₹ 20,32,000.00.

OUTCOME

After investigation, the vigilance secretariat made the following recommendations:

- Introduction of official hand over of the Hindrance Registers, Site Order Books of major works during charge handover of Colliery Managers and Project Officers.
- From the deposited copies of the Hindrance Registers it was observed that the proper recordings of the hindrances, especially failure quantity due to contractor's fault, have not been mentioned clearly leaving scope for malpractices. Uniform format as appended below was advised for implementation :

Date	TPD	Actual Execution	Actual Shortfall	Shortfall due to contractor's fault	Shortfall due to other than contractor's fault	Reason of shortfall	Remark if any

- c) Recovery of the penalty amount from M/s YYY for the unexecuted quantities during July-12 to Sept-12 (approx-2,25,768 M³) which had been recorded as the contractor's failure in the available Hindrance Register considering the facts that the final bill had already been paid and the BG had lapsed.
- d) Disciplinary action was initiated against the then SO(Min) & AFM, both of XXX Area for the lapses on their part by allowing the expiry of BG pertaining to NIT-XXX and against the then Project Officer & Colliery Manager of XXX OCP for not withholding penalty amount there by extending undue financial benefit to the contractor.

Later-on the penalty amount was finalised by a committee constituted by the management. Subsequently, as per the report submitted by the committee, recovery of ₹ 21,90,408.53 was made during July-2016 from other work of the contractor at other area with competent approval.

CASE STUDY - 14

SUBJECT

REFUND OF EMD UNDER E-AUCTION PERTAINING TO XXX OCP DURING THE PERIOD 20YY-ZZ AND SUBSEQUENT RECOVERY OF EXCESS EMD REFUNDED

BRIEF OF CASE

In the year 20YY-ZZ a total amount of 2.50 Lakh Te coal was offered from XXX OCP under Forward e-auction as well as Spot e-auction during the months June-20YY, July-20YY & Aug-20YY. EMD amount @ ₹ 400/Te which is one kind of 'Security Deposit' against performance of the consumer in lifting the full quantity of coal, is deposited in advance as a part of the full coal value by the successful bidders. The EMD is partly/fully refunded/forfeited after completion of the delivery period taking into consideration of the day to day reasons of non-delivery of coal to the consumers either due to the fault of Management or of consumer or of both or of other causes.

In the instant case the total quantity offered to the different consumers at XXX OCP could not be delivered due to different reasons inclusive of faults from the management's side as well as of the consumer's side or both. Subsequently based on the basic data of each delivery order (DO) like lifted quantity, lapsed quantity, date of submission of DO at the Project, allotted quota received from XXX OCP, a detailed refund statement was prepared by a Junior Officer of S&M. Deptt. of XXX HQ and was vetted by the then GM(S&M). The proposal got recommended by the Director (Tech/Op) & approved by the then CMD in Dec-20XX and accordingly the refund of ₹ 4.171 Cr was made to the different consumers.

While calculating the amount to be refunded, various factors had been treated as failure of Management to load coal. Further the refund note, involving a total refund of ₹ 4.171 Cr out of the total EMD value of ₹ 5.005 Cr, was not vetted by the then GM(Fin) or Director(Fin), rather during the absence/non-availability of the then GM(Fin), only the calculation part of the refund note was vetted by a junior rank officer of E-1 Grade. After initiation of the proposal it was vetted by the then GM(S&M), recommended for approval by the Director(Tech/Op) and recommended by the then CMD without any justified detailed exercise.

IRREGULARITIES OBSERVED

During investigation by the vigilance department it was observed that the statement of refund/forfeiture of EMD had not been prepared in judicious and proper manner with negligence on the part of the concerned executives.

OUTCOME

Considering that the officer, who had prepared the proposal and the then GM(S&M),

who had agreed and forwarded the proposal had retired on superannuation; the vigilance secretariat advised the management vide note dtd 27.01.2015 for review of the whole case by a committee so as to calculate the exact DO wise amount which could have been actually refunded/forfeited so that the possibilities of deducting/ refunding the amount from/to the DO holders can be explored.

Subsequently a Committee was formed by the Director(Tech/Op) comprising the then GM(Fin), GM(QC), & GM(S&M) as committee members to look into the irregularities pointed out by the Vigilance Secretariat and submit a report. The committee submitted its report to the Director (Tech/Op) recommending for the EMD refund of only ₹ 2,33,93,483.49 against the already refunded amount of ₹ 4,17,17,689.71. Thus the total recoverable amount from the consumers was ₹ 1,83,24,206.22 (i.e. ₹ 41717689.71 minus ₹ 23393483.49).

Consequent upon the vigilance intervention, ₹ 51,55,555.67 was recovered during the months of July-2016. Considering the delay in recovery of the remaining amount of ₹ 1,31,68,650.55 from the rest of the consumers, and apprehending that XXX may fail to recover the balance recoverable EMD amount as all the officers involved in the instant case of excess EMD refund have already retired on superannuation another advisory was sent to the CMD, XXX on 08.05.2016 advising to undertake appropriate action expeditiously for recovery of excess refund of EMD amount as most of the consumers involved in the instant case may have regular business with XXX while few have entered into FSA with XXX. Subsequently further ₹ 1,30,10,693.82 has been recovered till Aug-2016 leaving remaining only about ₹ 1,57,956.71 which is also under process of recovery by the concerned department.

CASE STUDY - 15

SUBJECT

CONSTRUCTION OF SUB-STATION BUILDING FOR SHIFTING OF 33 KV CENTRAL SUB-STATION IN A PROJECT OF A COAL COMPANY

BRIEF OF CASE

LOA for a civil contract was issued on 30.12.2011 for an awarded value of ₹ 56.24 Lakhs with a completion period of 05 months.

However work was delayed abnormally (more than 02 years), responsibility of delay of work goes to both parties involved in contract, LOA issuing authority as well as contractor. This is responsibility of LOA issuing authority and contractor to ensure that site is free from any hindrance. As per clause 6(b) of Detailed Tender Notice of Tender Document "Every tenderer is expected, before quoting his rates, to go through the requirements of materials/workmanship under specification/ requirements and conditions of contract and to inspect the site/area of the proposed work." Only 50% of the work was completed by the contractor till Dec'2013. Contractor stopped the work without sufficient reasons.

Payment of ₹ 31.51 Lakhs was made to the contractor on dated 25.03.2014 against Running A/C bill raised by the contractor.

IRREGULARITIES OBSERVED

This contract was dealt in a lax manner from both sides i.e. concerned department of that project and contractor. The hindrance at site should have been foreseen by the LOA issuing authority. The basic aim of the contract was defeated due to abnormal delay of work which resulted in indirect loss to company. Moreover payments were made by the project to a faulty contractor.

OUTCOME

Matter was examined and 03 (Three) involved officers were issued Minor Penalty with following systemic improvement.

A system improvement circular vide no. XXX/Vig/RK/PVR-509/15/712 dt. 20.04.2015 by CMD, XXX has been issued regarding substantial delay in completion of work on behalf of contractor's part, payment of running account bill may be withheld in view of the clauses 6.0,6.2,6.2.1,6.2.2, 6.2.3 & 6.2.4 of MCEW. LD is an additional penalty to compensate the delay but in case of substantial delay company is not bound to pay running account bill in toto. As substantial delay may cause tangible/intangible losses to company. Hence to recover these losses & to get the work completed by other means at the risk and cost of contractor, Company reserves the right as per above clause. Moreover these specialized works may be dealt as Turn-Key contracts.

CASE STUDY - 16

SUBJECT:

Irregularities in procurement of spares of OEM on proprietary basis with a motive to generate Plant & Machinery (P&M) items under the guise of spares, causing loss of Rs. 6.5 crore approx to the company.

BRIEF OF THE CASE:

During surprise check of one of the Area in the month of October 2015 large numbers of new equipment/Machines/P&M items were found lying unused at Charged-Off Stores, Mines Workshop and Regional Stores as indicated below:

S.No.	Type of Equipment/Machines/P&M items	Quantity in Nos.
1	AC Motors of different make & ratings	32
2	Switches like ACB/VCB/DOL Starter	07
3	Gear Boxes of different ratings	09
4	Transformer Oil Filtration Machine	06
	Total	54

On enquiry, it transpired that the above equipment/machines/P&M items were received from Regional Stores as assembly in lieu of their spares. Further scrutiny revealed that the aforementioned new equipment/machines/P&M items were received at Regional Store as assembly although supply orders were placed by the Area Purchase Cell for two or more spares of such equipment. All these equipment/machines/P&M items lying at different locations of the Area were received during the year 2013-14 and 2014-15.

As per company guidelines, Plant & Machinery (P&M) are centralized items and procured at corporate HQ through competitive bidding. In case of emergency, procurement action can be initiated by the Area after obtaining approval of Director. However, such purchase proposal also requires approval of corporate HQ.

The Area adopted unethical practice to procure these P&M items under the guise of spares on proprietary basis flouting guidelines of the company and violating the delegation of power (DOP). The price paid for the P&M items generated through purchase of its spares is much higher than the price of complete P&M item if procured as a unit/assembly through competitive bidding. It is a fact that the price of spare is higher due to monopoly of OEM, if procured on proprietary basis but the price of new equipment will be cheaper, if procured individually instead of generating through purchase of its spares.

The area did not explore the possibility of repair of Motor, Switches and Gear Box before raising indents for its spares. The cost of repair is much lower than the cost of such spares.

The spares procured by the Area are excisable. As per relevant excise rules, the excisable goods used for mining operation are eligible for setoff as input / CENVAT credit. This facility of setoff is allowable, if the goods are procured from manufacturer or their dealer, for which CENVAT invoice is required to be obtained.

The modus-operandi of procurement of these Motors, Switches, Gear Box and Transformer Oil Filtration machine are as under:

- a) In case of Motor, indents were prepared by the Engineering section of the mine for two major components of Motor viz Rotor Assembly and Stator Assembly of one/two ratings either in one indent or two indents. These indents were prepared intermittently to look like a genuine proposal. The value of all these indents were kept within DOP of area to avoid scrutiny at HQ level.
- b) Procurement of these spares of Motors was processed separately and PO placed accordingly. However, the supplies of matching two spares of one rating viz Rotor Assembly and Stator Assembly covered either under one order or two orders were received together in assembly. The inspection of the spares received in Assembly were inspected, accepted and issued to the mines as spares. Receipt, acceptance and issue of these spares in assembly were carried out mostly on the same day.
- c) Similarly indents for major components of Gear Box and Transformer Oil Filter machine were processed intermittently in a set of spares to secure supply as complete set in assembly.
- d) Also indents for various switch spares of ACB, VCB and DOL Starter were processed to secure supply of complete assembly.
- e) The indenting units did not have the adequate population of such make/rating of Motor/Gear Box, Switches & Transformer Oil Filtration Machine but the indents were raised for such make/rating of spares, which resulted to purchase of such spares from their OEM on proprietary basis.

IRREGULARITIES OBSERVED

- i) Fictitious & inflated indents for spares were purposefully raised to generate P&M item by the Area.
- ii) Most of the indents were processed by the Colliery Engineer without routing through the higher officials of the mines.
- iii) These indents were processed intermittently in splitted manner keeping the value of each indent within the DOP of Area to avoid scrutiny, concurrence and approval of the Company HQ.
- iv) These indents were processed with an ill motive of securing supplies of new equipment/machines/P&M items under the guise of spares.
- v) Although purchase orders were placed for spares but supplies were received as Assembly. However, supplies were received, inspected, accepted and issued as spares.

- vi) The spares were procured on proprietary basis without ascertaining existing population and make of available equipment in mine which indicates that wrong proprietary certificates were issued by the Technical department.
- vii) The pattern of indenting, supplies, inspection, acceptance and issue clearly indicates that Motors, Switches, Gear Box and Transformer Oil Filtration machines were procured by the Area by placing supply orders for their spares.

On scrutiny of records, the irregularities observed in purchase of Motor, Switches, Gear Box and Transformer Oil Filtration machine are as under:-

1. Purchase of AC Motors of different make & ratings:-

- The Area processed 82 indents intermittently for Rotor Assembly and Stator Assembly of different make and ratings, against which 54 Purchase Orders amounting Rs. 8.00 Crore were placed.
- A Motor consist of two major components viz Rotor Assembly and Stator Assembly. If both these major assembly is procured, a new Motor can be generated.
- The Area generated 77 new motors of different ratings by placing supply orders for these two major components of one rating either in one supply order or in two orders.
- In all cases for different ratings and make only 02 spares i.e. Rotor assembly and Stator assembly was indented. Purchase was finalized on proprietary basis and supply orders placed on respective Dealers of OEM.
- It has been found that the motors supplied under the guise of spares (Rotor Assembly & Stator Assembly) are approx 02 to 03 times higher than the cost of a complete new motor.
- The Area did not avail Input credit/CENVAT credit from the dealer causing loss to the company.

2. Purchase of Gear Boxes:-

- The Area processed 25 indents intermittently and issued 25 Purchase Orders amounting Rs. 4.81 Crores on Dealer of OEM.
- All these indents were processed for the same 03 spares (i.e. Rotating Assembly Input, Rotating Assembly Output and Repair kit Major and Minor) in a set for 05 ratings of Gear Boxes.
- These 03 major components viz (i.e. Rotating Assembly Input, Rotating Assembly Output and Repair kit Major and Minor) were procured in a set with a motive to get complete new Gear Box.
- The Area generated 41 new Gear Box of different ratings by placing supply orders for these three major components of different ratings.
- It has been found that the Gear Box supplied under the guise of spares

are much higher than the cost of a complete new Gear Box, if procured individually as assembly.

- In this case also, the Area did not avail Input credit/CENVAT credit from the dealer causing loss to the company.

3. Purchase of Transformer Oil Filtration machine:-

- Although the indenting units were not having population of such make of Transformer Oil Filtration machine but the Area processed 06 indents intermittently for 04 spares (i.e. Filter Assembly, Housing Assembly, Gauge Assembly and Heating Assembly) of Transformer Oil Filtration machines of specific make to generate complete new machine.
- By placing 06 purchase orders worth ₹ 77.60 lakhs on the dealer of OEM on Proprietary basis, the Area had procured 06 nos. of new machines under guise of its spares.
- The price of complete machine procured through assembly of spares under the guise of spares was approx. 02 to 03 times higher than the rate of complete machine.

4. Purchase case of ACB, VCB and DOL Starter:-

- The area initiated indents for various switch spares of ACB, VCB and DOL Starter to secure supply of complete assembly.
- The area placed 47 Purchase Orders on OEM for supply of spares of ACB, VCB and DOL Starters worth ₹ 7.46 Crores on proprietary basis.
- The price of complete Switches procured through assembly of spares under the guise of spares was much higher than the rate of complete Switches.

OUTCOME:

- i) The officials of the area connived with the supplier to extend undue business favour and seemingly pecuniary gain to themselves.
- ii) The Area paid approximately 2 to 3 times for such equipment generated through assembly of its spares. Such mode of procurement has caused loss of ₹ 5.25 Crore approx. to the company.
- iii) The Area did not avail the benefit of Input/CENVAT credit, causing loss of ₹ 1.23 crore approx. to the company.
- iv) Initiation of Major penalty proceedings recommended against the connived 13 officials which includes 03 General Manager rank officials (E-8 Grade) of the Area, which has been agreed by CVC while rendering 1st stage advice. The case has also been referred to CBI by CVC for in-depth investigation.
- v) In order to check such irregularities, following guidelines has been got issued immediately vide ref.1913 dt.17.12.2015.

Quote

1. For procurement of Stores material, MB/Emergent indent should be prepared in prescribed format duly filled in all columns.
2. Proper justification should be given for the requirement and MB/Emergent indent must be signed invariably by SAM, Colliery Engineer and concerned staff officer of user department.
3. In case of procurement of spare parts on proprietary basis, population of valid installed machine should be furnished and assessment of requirement should be realistic and also should have proper justification.
4. In case of procurement of spares for motor and other electrical equipment i.e. ACB/OCB/VCB/Transswitch Units etc. possibility of economical repair should be explored first rather to procure spares parts in bulk.
5. Supply should not be taken in assembly in place of spares.
6. Unit Stores will keep maximum stock of only for their fortnight requirement. Accordingly, issue requisitions should be processed to Regional Stores by unit stores.
7. Before processing proposal for procurement, NA should be obtained from Regional Store as well as Unit Stores.
8. MB shall be in compiled form based upon requirement of individual Sub Area showing population of P&M items with certification of respective Sub Area Manager.

Unquote

- vi) The irregularities detected in one Area were initially apprised to Area General Managers through power point presentation in GM's Co-Ordination meeting. Subsequently it was presented in the coordination meeting of SO(MM), AFM and SO(E&M). Later, it was presented in all the Areas, so that the officials working down the mines are made aware of the gross irregularities detected at one place.
- vii) The following systemic improvements measures have also been suggested:
 - a) List of P&M/Capital items to be circulated by Finance department XXX HQ, so that any such items are not procured by Area under other financial head.
 - b) Standardized format of indent and MB to be circulated by MM department XXX HQ so that uniformity is maintained in all Areas of XXX.
 - c) Circular for availing CENVAT credit by Area to be circulated by Finance Department XXX HQ so that loss on this account can be avoided.
 - d) List of P&M items available in each mine may be identified with distinct number & record should be maintained in mine, to facilitate proper assessment of spares required for available P&M items in mine.

CASE STUDY - 17

SUBJECT:

SYSTEM STUDIES RESULTING IN MAJOR SYSTEM IMPROVEMENT/ FINANCIAL SAVING AND STOPPAGE OF REVENUE LEAKAGE

Vehicle tracking systems has been installed in XXX. Primarily it utilize GPS technology and GSM services. While in case of various other organisation's VTS offer real-time tracking, in XXX record real time data and store it to be read, in a fashion similar to data loggers. Systems like ours in XXX has been tailored and customised after deep study to track & record and allow reports even after a later time or event.

BRIEF OF VTS SYSTEM

GPS Based vehicle tracking systems combine both active and passive tracking abilities for example when a cellular network is available and a tracking device is connected it transmits data to a server alternately also when a network is not available the device stores data in internal memory and will transmit stored data to the server later when the network becomes available again. Major constituents of the GPS based tracking are as below:

GPS Tracker: The device fits into the vehicle and captures the GPS location information apart from other vehicle information at regular intervals to a central server. Other vehicle information can also be included like fuel amount, engine temperature, altitude, reverse geocoding, door open/close, tire pressure, cut off fuel, turn off ignition, turn on headlight, turn on taillight, battery status, GSM area code/cell code decoded, number of GPS satellites in view, glass open/close, fuel amount, emergency button status, cumulative idling, computed odometer, engine RPM, throttle position, GPRS status and a lot more.

Capability of GPS devices actually decides the final capability of the whole tracking system; most vehicle tracking systems, in addition to providing the vehicle's location data, feature a wide range of communication ports that can be used to integrate other on board systems, allowing to check their status and control or automate their operation.

GPS tracking server: The tracking server has three responsibilities: receiving data from the GPS tracking unit, securely storing it, and serving this information on demand to the user. User interface: This determines how one will be able to access information, view vehicle data, and elicit important details from it.

IRREGULARITIES OBSERVED IN COAL TRANSPORT

Prior to deployment of VTS ,it used to come to notice at a later time that vehicles meant for transporting coal from face to stock or stock to siding eventually deviate their defined route which often results in theft/pilferage of coal.

Now with the help of GPS based vehicle tracking system(VTS) at one of the XXX Areas meant for going to siding with loaded coal had deviated its prescribed route to siding and instead dumped the coal at a distant located private coal depot only to return with slack and rubbish material instead of coal to unload the same into the siding taking the advantage of night.The driver attempted to unload some spurious material (stone /slack etc)at siding in lieu of the coal it had received.

There is standing instruction to all Areas which are equipped with VTS system, to give immediate and prompt attention to system generated exception report and to initiate action in time on Exception Report generated by Vehicle Tracking System. This has given us opportunity to avoid more such cases involving theft of coal and diversion of coal tippers.

It was found in some of the mines during inspection that the allowed list of trucks is not updated progressively, in case of inclusion or deletion of new vehicles by the transport contractor because the operator/staff deployed at weigh-bridges, barrier, siding could not show complete allowed list on one piece of paper. With the existing VTS system the list of allowed tippers or transport vehicle are checked by the system itself and such missing of information cannot continue in the system resulting in attention by the supervisory executives.

In case of transport of coal from face to stock by ESM transporters weighment is to be done mandatorily at both the ends as payment is to be made to the transporter on the basis of number of trips and weight transported on actual basis. XXX's Integrated VTS system has incorporated the facility for recording the weight on both the ends and generating error report if the difference in weight crosses a pre-fixed limit from dispatch end to receipt end as such it could effectively monitor even meager and unnoticed leakage in the quantity of coal transported regularly.

OUTCOME AFTER IMPLEMENTAION OF VTS SYSTEM

- Stolen vehicle recovery: Both consumer and commercial vehicles can be outfitted with RF or GPS units to allow police to do tracking and recovery. In the case of Lo Jack, the police can activate the tracking unit in the vehicle directly and follow tracking signals.
- Fleet management: When managing a fleet of vehicles, knowing the real-time location of all drivers allows management to meet customer needs more efficiently. Whether it is delivery, service or other multi-vehicle enterprises, drivers now only need a mobile phone with telephony or Internet connection to be inexpensively tracked by and dispatched efficiently.
- Coal tracking: It is now possible to track the quantity of coal for ensuring timely transportation for all monitoring purposes on real-time location basis on satellite/ geo map so as to closely monitor the movement and operating status.
- Field service management: XXX's a field service workforce for services such as repair or maintenance, are able to plan field workers' time, schedule and

thus able to operate their respective departments efficiently. Vehicle tracking allows to quickly locate movement of vehicle and as such dispatch to the closest one can be decided so to meet a new customer request with available alternatives.

- Mobile Sales & Marketing executives can access real-time locations. For example, in unfamiliar areas, they can locate themselves as well as customers' prospects, for driving directions and add nearby last-minute appointments to itineraries. Benefits include increased productivity, reduced driving time and increased time spent in movement of fleet with future prospects.
- Surveillance: A tracker may be placed on a vehicle to follow the target vehicle's movements.
- Transit tracking: temporary tracking of coal movement is possible from one point to another. Area/colliery officials can ensure that the assets do not stop on route or do a U-Turn in order to ensure the security of the assets.
- Fuel Monitoring: It facilitate the Transporter/Colliery/Area to monitor fuel consumption through VTS tracking device with help of fuel sensor connected to the device.
- Distance Calculation: Through VTS we can effectively calculate the distance travelled by the fleet thus facilitating monitoring of fleet efficiency.

CASE STUDY - 18

SUBJECT

CASE STUDY OF DEPARTMENTAL OVER-BURDEN OVER-REPORTING AT ONE OF THE OPENCAST PROJECT OF COAL COMPANY.

BRIEF OF THE CASE

A surprise inspection was conducted to check the production reporting system by vigilance officials in one of the Opencast Mine of A Coal Company. During inspection, certain glaring irregularities were noticed and a detailed investigation was carried out.

Investigation revealed that the mine management was indulged in continuous over-reporting of Over Burden removed by Departmental means for a period of 42 months, i.e., from 01/01/2012 to 30/06/2015. During the said period, the mine management over-reported the Overburden removed by Departmental means to the tune of 37.07 Lakh cubic metres. The monthly measurement records prepared by Colliery Surveyor are showing continuous variation between reported and measured Overburden removal. The measurement records have been signed by successive Colliery Managers, Sub Area Managers, Area Survey Officers, General Manager (Operation)s & Area General Managers of the Area. The huge variation along with "Correction Factor" has been pointed out by the Colliery Surveyor in each and every month and communicated to the mine management but the mine management didn't take any corrective action and instead continued to report Overburden removal by departmental means in an arbitrary manner. By committing such irregularities for significant long period of 42 months, there is unaccounted excess consumption of Diesel, POL & explosives by mine management caused loss to the company to the tune of ₹ 28.84 crores (approximately).

The investigation further revealed that the mine management has failed to maintain the production reports as per "New Code for Uniform System of Maintenance, Control and Verification of coal stock in all mines of CIL" which has come into force w.e.f Januray, 2012.

IRREGULARITIES OBSERVED:

Investigation revealed the following glaring irregularities:

1. The shift wise and daily Over Burden removal reports have not been maintained as per clause 2.2 (a) (i) and (ii) of "New Yellow Book" applicable with effect from 01.01.2012 henceforth stated as "NYB-2012".
2. The shift wise and daily Coal Production reports have not been maintained as per clause 2.2 (b) (i) and (ii) of "NYB-2012".
3. The Daily MIS report "Form 3-A" to be maintained as per clause 2.5 of "NYB-2012", is being maintained. However the authenticity of report is in question

because the report is prepared on the basis of trip-sheets which are neither signed by authorized person nor countersigned by Shift/Section/Production In-charge.

4. The mine management has given false certification/declaration regarding maintenance of production, dispatch & coal stock reporting as per “NYB-2012” in Quarterly, Half-Yearly & Annual Stock measurements.
5. The mine management failed to reconcile reported & measured OB removal on quarterly basis as required under “NYB-2012”.
6. There is variation beyond the permissible limit, between departmental reported Over Burden removal and measured Over Burden removal as per clause 10 (ii)(b) of “NYB-2012”.

Month	Reported OBR (Cum)	Measured OBR (Cum)	Variance (+/-)	% Variance (+/-)	Quarterly % Variance (+/-)	Quarterly Permissible % Variance (+/-)
Jan-12	504000	412391	-91609	-18.18		
Feb-12	504300	431439	-72861	-14.45		
Mar-12	561400	481180	-80220	-14.29	-15.59	+/- 2%
Total	1569700	1325010	-244690	-15.59		
Apr-12	499700	318867	-180833	-36.19		
May-12	547700	422270	-125430	-22.90		
Jun-12	521500	409655	-111845	-21.45	-26.85	+/- 2%
Jul-12	362600	308650	-53950	-14.88		
Aug-12	349000	257190	-91810	-26.31		
Sep-12	356300	263810	-92490	-25.96	-22.38	+/- 3%
Oct-12	447700	401570	-46130	-10.30		
Nov-12	486500	420550	-65950	-13.56		
Dec-12	507200	488370	-18830	-3.71	-9.19	+/- 2%
Jan-13	496500	367020	-129480	-26.08		
Feb-13	442100	381300	-60800	-13.75		
Mar-13	561100	539800	-21300	-3.80	-14.54	+/- 2%
Total	5577900	4579052	-998848	-17.91		
Apr-13	593500	392040	-201460	-33.94		
May-13	475200	323620	-151580	-31.90		
Jun-13	271000	176579	-94421	-34.84	-33.56	+/- 2%
Jul-13	158700	105500	-53200	-33.52		

Month	Reported OBR (Cum)	Measured OBR (Cum)	Variance (+/-)	% Variance (+/-)	Quarterly % Variance (+/-)	Quarterly Permissible % Variance (+/-)
Aug-13	205700	210990	5290	2.57		
Sep-13	334150	332140	-2010	-0.60	-10.52	+/- 3%
Oct-13	365400	360400	-5000	-1.37		
Nov-13	489300	368000	-121300	-24.79		
Dec-13	479800	389730	-90070	-18.77	-14.98	+/- 2%
Jan-14	512200	383280	-128920	-25.17		
Feb-14	494500	345590	-148910	-30.11		
Mar-14	460600	357750	-102850	-22.33	-25.87	+/- 2%
Total	4840050	3745619	-1094431	-22.61		
Apr-14	347700	209380	-138320	-39.78		
May-14	332500	176720	-155780	-46.85		
Jun-14	452700	308550	-144150	-31.84	-39.49	+/- 3%
Jul-14	380000	287310	-92690	-24.39		
Aug-14	393500	296990	-96510	-24.53		
Sep-14	341300	313830	-27470	-8.05	-18.99	+/- 3%
Oct-14	459000	416080	-42920	-9.35		
Nov-14	440400	338660	-101740	-23.10		
Dec-14	409800	307270	-102530	-25.02	-19.16	+/- 2%
Jan-15	268800	237370	-31430	-11.69		
Feb-15	262000	151240	-110760	-42.27		
Mar-15	433600	443500	9900	2.28	-17.23	+/- 3%
Total	4521300	3486900	-1034400	-22.88		
Apr-15	431500	266610	-164890	-38.21		
May-15	412500	312220	-100280	-24.31		
Jun-15	334000	264130	-69870	-20.92	-27.81	+/- 3%
Total	1178000	842960	-335040	-28.44		
G-TOTAL	17686950	13979541	-3707409	-20.96		

7. There is a shortfall of Departmental Over-Burden removal to the tune of 37, 07, 409 Cum. (Thirty Seven lack, Seven thousand, four hundred & nine Cubic Meters), for the period between January, 2012 and June, 2015, which amounts to shortfall of 21% of the reported Over Burden removal.

Placed below is the gist of month-wise reported vis-à-vis measured overburden removal by departmental means along with quarterly variance for the period from January 2012 to June 2015:

1. The 'correction factor' has been pointed out by the Colliery Surveyor of the mine, on every month and communicated the same to the mine management, but no corrective action has been initiated till June 2015.
2. The consumption of Diesel and POL when applied to the measured composite volume as per Survey Measurement Register, implies an excessive Diesel consumption of 38,36,258 Litres and excessive POL consumption of 1,94,968 Litres for the period between January, 2012 and June 2015.
3. Similarly, the consumption of explosives when applied to the measured Over Burden Removal Departmentally using Shovel/Dumper combination, implies an excessive explosive consumption of 1518 Metric Tons, for the period between January, 2012 and June 2015.
4. It is observed that mine management has failed to maintain proper reporting system as per new uniform code adopted by CIL Board resolution and instead it has continued to report Coal production and Over Burden removal in an arbitrary manner which exposes it to the risks of irregularities being continued since long period.
5. Sub Area Manager, Colliery Manager, Colliery Engineer, Production In-charge/ACM, Statistical Head, all three Shift In-charge's, all three Shift Engineer's/Foreman's, all three Shift Overman, failed to maintain Production Reports as per "NYB-2012".
6. GM(Operations), Area Survey Officer, Sub Area Manager, Colliery Manager and Colliery Surveyor have signed monthly measurement of Departmental Over Burden removal records. Hence, the shortfall in Overburden removal has been in the knowledge of concerned officials.
7. Area General Manager's have signed Quarterly, Half-yearly & Annual measurement of Departmental Over-Burden removal records. Hence, the shortfall in Overburden removal has been in the knowledge of Area General Manager also. Although they have issued letters to the mine management regarding variation in reported & measured OBR and to take corrective steps to reduce the shortfall but failed to ensure enforcement thereby improvement in the same and the trend continued for as long as 42 months.

OUTCOME OF INVESTIGATION:

From the response & counter response of the officials, documents & witnesses, it was conclusively held that:

1. The Shift wise and Daily Coal & Over-Burden production reports i.e. Form 1 & Form 2, have not been maintained as per clause 2.2 (a) and (b) of "NYB-2012".

2. The Daily & Monthly MIS report, which has been maintained as per clause 2.5 & 2.6 of "NYB-2012" is ambiguous without any authenticated backup figures, as it should have been prepared on the basis of the figures from Shift wise and Daily reports.
3. Reconciliation of reported & measured OB on Quarterly basis has not been done as stated in clause 4.7 of 'item no. 273.4(G) of minutes of 273rd CIL Board Meet which is quoted below.

Quote:

Board advised that reconciliation between Book Stock & Measured Stock of coal production & OB Removal should be carried out on quarterly basis within 15 days from the end of each quarter.

Unquote:

4. There is a shortfall of Departmental Over Burden removal to the tune of 37,07,409 Cubic Meters for the period between January, 2012 and June, 2015 which amounts to shortfall of 21% of the reported departmental Over Burden removal.
5. No correction has been made inspite of the variation was beyond permissible limit as stipulated in clause 10(ii)(b) of "NYB-2012".

Quote:

In case of Overburden removal, in every quarter-

Where the quantum of Overburden removal is 2.5 lakh - 1.25 million cu.m, no corrections need be made so long as the variance is less than (+ -) 3%.

Where the quantum of Overburden removal in excess of 1.25 million cu.m, no corrections need be made so long as the variance is less than (+ -) 2%.

Unquote:

6. There is no realistic assessment of OB re-handling by mine management, since proposal for approval of OB re-handling should have taken into account, all the mine specific parameters.
7. Difference in Reported & Measured departmental OBR attributes to excessive Diesel consumption of 38,36,258 Litres and excessive POL consumption of 1,94,968 Litres for the period between January, 2012 and June, 2015.
8. Difference in Reported & Measured departmental OBR also attributes to excessive explosive consumption of 15,18,094 Kg., for the period between January, 2012 and June, 2015.

CONCLUSIONS DRAWN:

1. The Mine management grossly violated the clause nos. 2.2 and 10(ii)(b) of "NYB-2012" apparently to cover up the over reporting of OB.

2. The difference in quantity of OB actually removed and reported to have been removed works out to 37,07, 409 CuM.
3. While the consumption of Diesel, POL and Explosives have taken place as per the approved norms/factors for the quantity of OB reported to have been removed, consumption of these inputs should have been far less for the quantity of OB actually removed. Thus the following quantities of these inputs have not been accounted for over the check period of 42 months;
Diesel : 38,36,258 Litres - Approx Value : ₹ 24.19 crores
Lubricants : 1,94,968 Litres - Approx Value: ₹ 1.41 crores
Explosives : 1518.094 Mt. - Approx Value: ₹ 3.24 crores

Above value is calculated based on per cum. cost in monthly cost sheet of the mine.

4. Since, receipt and issue of diesel, lubricants and explosives were in the control of the Mine Management only, unaccountable of these could be attributed to either of the following;
 - (a) Giving excess receipt against actual quantity received from the suppliers (excess payment to the suppliers)
 - (b) Pilferage of the above quantity from the Mine.

In any case, the above unaccountable resulted in undue gains to the self and others and resultant loss to the Company.

The following officials were found responsible for the above irregularities, during their respective tenure of check period of 42 Months.

Three No's of Area General Managers – E-8 Rank.

Three No's of General Manager (Operation) – E-8 Rank.

One Sub-Area Manager – E-7 Rank.

Two No's of Colliery Managers – E-6 Rank.

Two No's of Area Survey Officers – E-4 Rank.

RDA of Six executives under major penalty proceedings and four under minor penalty proceedings have been initiated whereas one of the executive who was superannuated before investigation commenced, was issued displeasure.

Action plan for Ethical Governance in Coal India Limited

Approach to advance ethical culture in organisation

1. Development & adherence to Code of ethics
2. Effective Communication of ethical expectations
3. Empowering and encouraging employees to take ethical decisions
4. Training & reinforcement of organisational ethics,
5. Visible role models
6. Institutionalize an ethical culture
7. Provide Protective Mechanism (whistle Blowers)
8. Practise and encourage ethical leadership
9. Enforcement by monitoring & accountability.

Action Plan to enhance ethical standards in the organisation

1. Identification of core values

The ethical behaviour of human beings is essentially value driven and hence it is important to identify the values the organisation stand for. Communication and reinforcement of these values can help in institutionalising the values.

2. Value card

A value card will be developed which can contain core values of Coal Indians and ethical expectations from employees of the organisation. The card can be circulated widely and also used during training programme.

3. Online test of ethical practices

An online test on ethical practices in organisation has been found to be very useful to self-test the ethical dimension of one's conduct and further recharging of the self. Such test will be developed where scoring is done automatically but the result is not stored. The frequency of the test could be once a year to begin with. Auto reminders can be sent to those who don't take the test.

4. Bi-Monthly talk/seminars on ethical issues

Bi-Monthly talks may be organised at CIL and subsidiaries with speakers of eminence on issues of ethics, accountability, leadership, motivation etc. A list of such speakers can be compiled and circulated.

5. Identifying and recognising ethical leaders

Most ethical leaders can be identified through online survey followed by validation by a committee at Subsidiary and CIL HQ level. They can be recognised on different occasions like Independence Day, Republic Day or Foundation Day.

6. Open house sessions

It is extremely important that the top management has periodical direct

communication with executives, non-executives and other stake holders like supplier, vendors & customers. To begin with, quarterly open house session may be held by CMDs where Functional Directors may also attend. In some meetings at subsidiaries, functional Directors of CIL may attend. This will improve the access of employees & stake holders with management and resolve several grievances they may have.

7. Meeting legitimate aspirations of employees

It has been found that executives with higher self-esteem are more ethical in their approach. To maintain such esteem and motivation, it is important that their legitimate aspirations of promotion, timely payment of bills, training & higher education needs, posting as per their choice to the extent possible is made. Fair treatment, objectivity and transparency are keys to satisfaction of employees.

8. Effective Grievance Redressal

The organisation must have an effective grievance redressal mechanism so that issues of stake holders and employees are effectively resolved. For this purpose, online portal (PG Portal) of GOI is being used for seamless transfer of grievances and monitoring of action taken. Grievance Redressal Committees at CIL, subsidiary and areas level should review that action taken on grievances and intervene effectively to ensure justice to complainant. They should refer matter to FDs if required. The nature of grievances should be analysed to figure out the system improvement required to address the general grievances.

9. Strong Feedback Mechanism

Strong feedback system is extremely critical to identify shortcoming and take corrective steps. For this purpose online system can be used. Social media like Facebook, twitter, telegram and WhatsApp can also be used for this purpose.

10. Code of Ethics Monitoring Committee

The committee can be set up at CIL and subsidiary HQ. The committee can organise various activities to enhance ethical awareness among employees. It can also identify areas of activities where improvements are needed. It can recommend actions whenever individual deviations are noted.

11. Training Programmes

Regular training programme of one week or three days will help focussing on issues of ethics and values in the organisations. The programme can be organised with the help of reputed institutions. A refresher programme of one day can be organised for those who have already undergone training to further revive the ideas which dissipate over time. In all regular courses for MTs and MDPs at IICM, classes on ethics and values can be added.

12. Amendment of CDA Rules

GOI has amended CCS (Conduct) Rules particularly in 2014 to introduce elements of ethical conducts. The necessary changes may be made in the CIL executives' CDA Rules.



Our duty is to encourage everyone in his struggle to live up to his own highest idea, and strive at the same time to make the ideal as near as possible to the Truth.

Swami Vivekananda



Truth can be stated in a thousand different ways, yet each one can be true.

Swami Vivekananda



ENERGIZING EFFICIENTLY

Indian Industry is upbeat and expanding.
The need for primary commercial energy is escalating.

Coal India Limited is fuelling the energy aspirations of a resurgent Nation.

Clocking an unprecedented high orbit growth of 9% in coal production and off-take Coal India Limited virtually empowers the coal fired power utilities of the country playing a pivotal role in 'Power for All' call of the Nation.

With a glorious past and dynamic present,
Coal India Limited is gearing ahead for an inspiring future.



COAL INDIA LIMITED
(A Maharatna Company)

