



सत्यमेव जयते

Preventive Vigilance in public procurement : Study based on the Power Sector



CHIEF TECHNICAL EXAMINER'S ORGANISATION
CENTRAL VIGILANCE COMMISSION
GOVERNMENT OF INDIA
2007

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Study based on the Power Sector**



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**Chief Technical Examiner's
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भारत सरकार केन्द्रीय सतर्कता आयोग

GOVERNMENT OF INDIA
CENTRAL VIGILANCE
COMMISSION

Satarkta Bhawan, G.P.O Complex,
Block-A, INA, New Delhi-110023



MESSAGE

Transparency and ethical values form the core of a democratic system. Corruption flourishes where there is lack of transparency. There is scope for patronage and corruption particularly in matters relating to tenders, where there is discretion to confer out of turn privileges. Public procurement is one area where huge public expenditure is incurred. Due to involvement of huge money and private interests, this area is naturally corruption prone.

It has been the Commission's endeavor to bring about greater transparency in all spheres of government functioning including the public procurement. The CTE Organisation has played an important role in pointing out shortcomings in public procurement observed during inspections in various organizations and suggesting remedial measures to help organizations improve their systems, in making the processes transparent, fair and efficient.

Based on their experience gained during intensive examination of a wide variety of contracts, the CTEO has brought out a number of booklets in the past. This booklet captioned "*Preventive Vigilance in public procurement: Study based on the Power Sector*" illustrates a number of deficiencies that were observed during the examination of power sector projects. Although, it focuses on the deficiencies observed in power sector procurements, the lessons drawn and remedies suggested would be immensely beneficial to all government organizations.

We congratulate the CTEO in bringing out this useful publication.



S Kumar
(Sudhir Kumar)

Vigilance Commissioner



(Pratyush Sinha)

Central Vigilance Commissioner



(Smt. Ranjana Kumar)

Vigilance Commissioner



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MESSAGE

Adhering to the Management policies and procedures in all areas, particularly in award and execution of works/contracts is of vital importance to the organizations. Any mismanagement in the award and execution of works/contracts not only results in heavy leakages of revenue but also adversely affects the image and profitability of an organization.

The CTE Organization of Central Vigilance Commission has been making a positive contribution in containing the malpractices in the field of public procurement by conducting systematic examination of various works and contracts and issuing guidelines for remedial measures.

Since, the investment in public procurement is increasing manifold day by day, the Commission has been directing the CVOs also to carry out CTE type inspections and thereby playing an active role in improving the systems.

The CTEs in this booklet "*Preventive Vigilance in public procurement: Study based on the Power Sector*" have brought out a number of deficiencies observed by them in various power sector projects. This booklet shall be a useful guidebook for the CVOs as well as executives of not only the Power sector, but also for others.

I congratulate the CTEs for bringing out this publication.



(Sujit Banerjee)
Secretary

New Delhi

PREFACE

Recently, as per the directions of the Commission, a number of contracts relating to works/purchases in the power sector organizations were taken up for intensive examination by the CTE organization. The shortcomings observed during these intensive examinations have been compiled. It was felt that it will be useful if the same is published in a book form. This has prompted us to come out with this compilation in the form of a booklet. The aim of this booklet is to point out various vulnerable areas of corruption in the works /purchases in the power sector organizations. Nevertheless it is felt that this will also be useful for other organizations as nature of irregularities noticed in the power sector is also more or less common to other organizations.

The deficiencies relating to various stages of works/purchases have been discussed in detail along with case studies covering the entire procurement process. Further, relevant CVC guidelines as well as a check-list for the benefit of the executives have been brought out in the respective chapters.

This publication is not meant to be a faultfinding exercise with any particular organization in mind. The aim of this booklet is to reduce areas prone to manipulation/ and remedial measures for the observed deficiencies. We are hopeful that the executives as well as vigilance units of various organizations find this publication useful to discharge their functions more effectively.

We, express our sincere gratitude to, Shri Pratyush Sinha, CVC; Shri Sudhir Kumar and Smt. Ranjana Kumar, Vigilance Commissioners for their inspiration in publishing this booklet. We are also grateful to Shri Sujit Banerjee, Secretary, CVC without whose guidance this booklet would not have come up in this shape.

This book is the outcome of teamwork of every individual of CTE organization in the CVC. Specially we acknowledge the untiring efforts in collection of cases and drafting of the book by Er. Shailendra Singh, Technical Examiner, Er Vijay Kumar, Technical Examiner, Er. R.K.Sharma, Technical Examiner, Er. Gyanendra Tyagi Technical Examiner, Er. S.D.Narang, Technical Examiner and Er. P.K.Kanchan, Technical Examiner.

Sh. S. Mohanty, CVO, Bank of Maharashtra deserves our special thanks for arranging the publication of this booklet.



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