Preventive Vigilance

Vigilance Awareness Week

26-31 October 2015
What is Vigilance

• Keeping a careful watch to avoid possible danger or difficulties
• In the context of an organisation vigilance is keeping a watchful eye on activities of personnel &
• taking prompt action to promote fair practices, ensure integrity/honesty in official transactions/behaviour
Corruption

- What is corruption: TI defines corruption as the abuse of entrusted power by political leaders or a bureaucracy for personal gain or specific group interest
- Corruption can take many forms; occurs at different levels
- What is its impact: adversely affects the economy, increases transaction costs, reduces efficiency of public service delivery, distorts decision making, perpetuates inequities
Corruption

- Corruption or the perception of corruption impacts the rate of investment & growth
- It undermines the moral fibre of society

**Reasons:**
- Excessive regulation
- Licensing
- Complicated tax laws
- Monopoly
- Lack of transparency
Corruption

• Too much discretion/power concentrated in a few hands
• Illiteracy makes people vulnerable and unable to enforce their rights
• Poor regulatory framework
• Rigid bureaucratic framework/processes
• Social acceptability and tolerance for corruption
• Absence of a formal system of inculcating the values of ethics & integrity
Corruption

• Anti-corruption efforts have so far focused on enforcement
• It was assumed that strict enforcement of anti-corruption laws and punishing the corrupt public servants will have a serious deterrent effect
• This approach has not been effective (cumbersome process involved in punishing the errant & because deterrent effect is lost due to delay/dilution of punishment)
• CVC is therefore laying greater emphasis on prevention & education; on generation of awareness among the people as a more effective & sustainable means of fighting corruption
• Organisations encouraged to develop a sound preventive vigilance framework which would enable them to assess the risk of corruption, take steps to correct policies, procedures, systems & strengthen their internal controls to eliminate the scope for corruption
Impact- in Quantitative Terms

Impact of corruption in quantitative terms

- Estimates show that govt. loses about Rs. 2 lakh crores annually due to tax evasion
- About Rs. 40,000 crores is lost due to delay in projects
- Transmission and distribution losses in the Power Sector are estimated to be about 50%, of which about 30% is attributed to theft in connivance with the Electricity Boards employees.
- If there was no corruption, PSEs would have improved their profit margin by almost 20%
- If corruption in India is reduced to the level of the Scandinavian countries, investment would rise by 12% annually & GDP would grow at an additional 1.5 according to economists
- According to World Bank estimate, the average bribe to obtain a public contract is estimated at 15% of the contract value. The CVC therefore maintains a high focus in this area.
Corruption-supply side

- Anti-corruption efforts focused on the Public Sector - the “demand side” in the parlance of corruption economics.
- The private sector - the “supply side”, which pays the bribes, has been largely ignored.
- The supply side theories often put the onus of fighting corruption on the private sector.
- Because firms pay bribes primarily for overcoming their shortcomings in terms of - poor quality of their product/service, high price of their product or to create a market for their goods which otherwise are not in demand.
- Thus they pay bribe to stay in competition despite these handicaps or to avoid true and fair competition.
Corruption-supply side

- Corruption is the anti-thesis of a free, fair, competitive & efficient market & it distorts the objectivity, transparency & fair play.
- Business entities are obliged to maintain integrity in order to maintain the efficiency & sanctity of the market.
- To distort the very market on which they are dependent for their existence would be self defeating.
- Therefore corruption economics advocates that given an opportunity & if their fears are allayed, private entities will stand up against corruption.
- It is this thinking has given rise to instruments like Code of Conduct and Integrity Pact through which the private sector is involved in fighting corruption.
- International efforts focus on tackling the “supply side” & most of the countries have either their own Foreign Corrupt Practices Act or are signatories to Anti-Bribery Conventions.
- International pressure to formulate laws & take action against the private business which attempt to bribe foreign governments to obtain contracts.
Functions of CVOs

Functions can broadly be divided into three parts, viz.

- Preventive vigilance which is concerned with simplification of rules/procedures, ensuring transparency, accountability etc

- Punitive vigilance which is concerned with carrying out investigations, taking punitive action

- Surveillance and detection which is concerned with surprise inspections, scrutiny of IPRs, detecting corruption
What is Preventive Vigilance

• Adoption of a package of measures to improve systems / procedures to reduce / eliminate corruption / discretion
• The vigilance manual states that the role of the Vigilance Officer is predominantly preventive
• Preventive vigilance is the duty of the management as a whole, not only of the CVO
• It is a tool of management
• It is not a stand alone activity but part of the overall strategy of the organisation
• It is the duty of every employee
Purpose of Preventive Vigilance

• Prevention better than cure.
• To bring about a higher order of morality / rationality in public service
• Watchfulness
• To reduce corruption
Preventive Vigilance Measures

• Create awareness among all stakeholders
• Identify bottlenecks
• Identify areas involving discretion the exercise of which is not governed by guidelines
• Taking steps to prevent commission of improper practices/misconduct
• Identify areas where public comes into contact with the dept.
• Regular and routine, inspections, surprise inspections, reviews, audits
Preventive Vigilance Measures

• Disclosure of interest in any client
• List of points and areas of corruption for the purpose of organising checks, streamlining procedures.
• List of sensitive posts: ensure job rotation policy and its effective implementation
• List of officers of doubtful integrity: ensure that such officers are not posted in sensitive posts
Preventive vigilance Measures

• Ensure oral instructions are confirmed in writing
• Publish/circulate areas where fraud/misconduct has been detected: knowledge sharing
• Regular follow up and pursuing of cases lodged with the police/CBI
• Deterrent measures : minimising delays, stiff penalties(delays encourage unethical behaviour & corrupt practices
• Recovery of loss
• Prosecution for criminal misconduct
• Send a message that deviant behaviour does not pay
Preventive Vigilance Measures

- Assess organization’s vulnerability / risk to corruption / fraud.
- Evaluate the scale of fraud.
- Assign responsibility – levels of employees.
- Develop response mechanism.
- Periodically review the effectiveness.
Preventive Vigilance Measures

• Create an environment that promotes ethical behaviour
• Capacity building & sensitisation at all levels & across all functional areas
• A list of Dos & Don’ts; SOPs
• A check list for high risk areas
• Manuals relating to purchases /contracts /works / personnel
• Structured interaction between vigilance & internal audit
Preventive Vigilance Measures-IT

• Using IT as an enabler for reducing corruption has been effectively demonstrated
• Initiatives that have reduced scope for human interface have reduced scope for corruption
• E procurements, e payments, e tenders
• Websites used for disseminating information/ creating awareness
• Encourage reporting/ deterring
Preventive Vigilance Measures-IT

- Use of log analysis tools, computer assisted audit techniques help in detection of fraud
- Online grievance redressal systems
- Online complaints
- Automatic refund of EMDs
- Use of social media platforms for receiving complaints
Preventive Vigilance Measures-IT

- Technology is only as good as the use we put it to
- It is open to misuse so we need to be alert to possibilities
- Periodic reviews, security certifications, system audits, ensure only authorised persons have access, modifications are duly authorised, tested, implemented & documented
- Not sharing passwords
- Feedback from stakeholders is important
Business Process Reengineering

- BPR is important as it helps organisations rethink how they do their work
- Enables a recreation of processes in order to meet the objectives of the organisation
- Processes that are not required get eliminated; those retained are made more efficient
- Simplification, standardisation & automation of repetitive tasks bring efficiency, reduce scope for corruption & reduce delays
Sources of Preventive Vigilance

• Complaints
• Preventive checks, CTE type inspections
• Audit reports, C&AG reports, technical reports, adjudication orders, etc.
• Media
• Intelligence
• Study of systems / procedures
• Reports of Parliamentary Committees
• Study of disciplinary cases
Use of IT tools

Deficiencies in IT Enabled Material Management System

- Data regarding Rate and Quantity of items changed in online MM system to claim excess payment to the tune of Rs 50 Lakhs (Approx.)
- No provision for audit trail of IT System

Major Learnings:

- System Administrator shall not disclose Systems Password to unauthorized person(s).
- The changes in the system shall be allowed only from designated PCs and record of users shall be kept.
- Security Audit of system shall be done periodically.
- Audit trails for each system shall be kept to facilitate tracing of any changes in the system.
- Centralized File Storage for MM/Finance files with proper access control.
- While preparing SRVs, system to check PO data from Finance System and raise alert in case of mismatch in rate / cumulative quantity.
- While passing the Bills, Finance shall check genuineness of PO i.e. signature on PO and check PO data from Finance System.
Potential areas of corruption /delays

- Irregularities in local purchase of material: quotations from same source on different letterheads, disclosing information about rates, quotations from relatives firms, substandard material
- Irregularities in limited tenders: arbitrary selections of firms, experienced firms ignored, firms with dubious credentials selected, bogus firms
- Irregularities in open tenders: ambiguity in tender conditions, delivery schedule/payment/inspection schedule, irregularities relating to EMD/SD
- Irregularities in single tender: projecting artificial urgency, selecting unsuitable tenderer based on exaggerated credentials, ignoring his past failures, accepting exorbitant rates on grounds of urgency
- Irregularities in procurement under DGS&D RC: selection of firms in non transparent manner, not recording proper justification, accepting substandard quality, irregular release of payments based on bogus/tampered documents
Potential areas of corruption/delays

• Irregularities in scrap disposal: lot formation, receipt/accounting of scrap, unaccounted scrap, fixing reserve price & selling below RP without proper justification

• Irregularities in procurement of drugs: over indenting, accepting short shelf life medicines, splitting demands, not monitoring stocks leading to expiry
Adequacy of existing procedures/checks

• Elaborate guidelines/instructions/procedure orders to regulate transaction of business in these areas
• Codes & Manuals
• Monthly report on checks conducted by Zonal Vigilance in accounting/disposal of scrap
• Awareness through vigilance bulletins, seminars, campaigns
• Decentralization & delegation of powers to deal with works & stores tenders,
  • e procurement which has reduced tender settlement time & complaints related to tender opening, ensures transparency & equal opportunity; is being extended to smaller units and small value items also
  • e auctions which provides bidders opportunity to bid for lots in different parts of the country & so eliminates cartels/local mafia by globalising the process
• System improvements based on vigilance cases: reiterating guidelines/instructions or issuing revised/new instructions & monitoring their implementation through follow up/PC
Potential areas of corruption/delays

PRS:

- passenger/journey details pre filled by operators before scheduled booking time
- blocking of berths by unauthorised agents,
- generation of fake tickets,
- overriding captcha
- Use of illegal software
Adequacy of existing procedures/checks

- Disabling journey modification during first hour of opening advanced reservation to allow genuine passengers to book
- Restriction of booking by authorised agents
- Introduction of captcha to enable booking by general passengers
- Only one booking in one user login session
- Mobile app for booking unreserved tickets on suburban trains
“The man who moves a mountain begins by carrying away small stones.”
Confucius

Thank You