



रेलटेल  
RAILTEL

A Government of India  
Undertaking

भारत सरकार - रेल मंत्रालय  
रेलटेल कार्पोरेशन आफ इण्डिया लिमिटेड  
नई दिल्ली

RAILTEL CORPORATION OF INDIA LIMITED  
GOVERNMENT OF INDIA - MINISTRY OF RAILWAYS  
NEW DELHI

सतर्कता बुलेटिन  
**VIGILANCE BULLETIN**

नवम्बर 2011

NOVEMBER 2011

FOURTH ISSUE

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सत्यमेव जयते

राष्ट्रपति

भारत गणतंत्र

**PRESIDENT  
REPUBLIC OF INDIA**

**MESSAGE**

I am happy to know that Vigilance Awareness Week is being observed by the Central Vigilance Commission from 31st October to 5th November, 2011.

The observance of such events helps in developing awareness about the consequences of corruption and educating the public about the improvements needed to create a corruption free society. Let us join together and work untiringly for eradication of corruption in all spheres of life.

I wish the Awareness Week all success.

(Prathibha Devisingh Patil)

New Delhi  
October 12, 2011





उप-राष्ट्रपति, भारत

**VICE-PRESIDENT OF INDIA**

**MESSAGE**

I am glad to know that the Vigilance Awareness Week is being observed from 31<sup>st</sup> October to 5<sup>th</sup> November, 2011.

Corruption is a scourge and a matter of prime concern to all. Its eradication is necessary for peace, development and progress.

Let us take a pledge on this occasion to work towards removal of corruption from all spheres of life.

**(M. HAMID ANSARI)**

New Delhi  
4<sup>th</sup> October, 2011



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**MESSAGE**



I am happy to learn that RailTel corporation is releasing vigilance bulletin during the Vigilance Awareness week 2011.

Publication of the vigilance bulletin is an attempt to create awareness about the facets of corruption and also to educate employees about the correct procedures and practices.

Vigilance is an essential ingredient of management and is a continuous process. Effective vigilance translates into better quality output and sets the organisation on a higher growth trajectory.

I welcome this effort undertaken by RailTel vigilance and convey my best wishes for its success.

**A.K.Maitra**  
Adviser (Vigilance)  
Railway Board





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## **MESSAGE**



I am glad to know that RailTel Vigilance is bringing out a bulletin on the occasion of Vigilance awareness week 2011. Corrupt practices adversely affect the productivity of the organization and user's confidence in the system. A clean and more transparent administration is possible only when the need for reform is generated from the heart.

The Vigilance department of RailTel has been emphasizing on preventive measures while conducting periodical checks with the aim to bring quality workmanship and transparency in decision taken. The some of them have been published in the bulletin in the form of case studies. I am sure these case studies will help officers and staff of RailTel to remain vigilant to avoid repeating these mistakes. This can be useful as a guide to help in better management of contracts at regional level and field.

I shall like to assure you that the role of Vigilance organization is to ensure that disregard to systems & procedures are arrested and officials contribute in their role for nation building with honesty & dedication.

I congratulate CVO and his team for their initiative and wish them all the success in their attempt.

**R.K.Bahuguna**  
Managing Director

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## **From CVO's Desk**



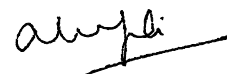
An effective strategy to fight corruption in the company is to adopt good and ethical practices in exercise of administration and managerial powers. Vigilance department can play a major role in this respect and sensitize officials in the company.

The Central Vigilance Commission has been emphasizing on the need to inculcate in the people of the country the desire and determination to fight corruption and promote probity in public life. The Commission is also focusing on predictive, pro-active and punitive vigilance measures.

In this process, on the behest of Vigilance to take care of fraudulent activities, finance code has been developed. To ensure efficiency, transparency and decision making in the system an e-filing system, e-procurement system implemented in the corporate office of the RailTel. Whistle blower policy approved by Board of directors and has also been implemented, besides these many others systems improvements are also suggested. This all were as per CVC guideline for leveraging of IT technology.

In this Vigilance bulletin, various aspects are being brought out to educate the officers and staff and for ensuring transparency in the official activities in the organization.

I hope this book will help the officers in better knowledge management, for effective Management of the contracts.

  
**Anshul Gupta**  
CVO



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## **DISCLAIMER**

This Booklet is only indicative and is by no means exhaustive nor it is intended to be substitute for rules, procedures, and existing instructions/guidelines on the subject. The provisions herein do not in any way supersede the rules contained in any of the Railway Codes and the circulars referred to herein should be read both individually and in conjunction with other relevant policy circulars for proper appreciation of the issues involved. In case of conflict, it goes without saying that the latter will prevail. This booklet also should not be produced in any Court of law and wherever necessary reference should always be made to the original orders on the subject.

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## **PLEDGE**

WE THE PUBLIC SERVANTS OF INDIA, DO HEREBY SOLEMNLY PLEDGE THAT WE SHALL CONTINUOUSLY STRIVE TO BRING ABOUT INTEGRITY AND TRANSPARENCY IN ALL SPHERES OF OUR ACTIVITIES. WE ALSO PLEDGE THAT WE SHALL WORK UNSTINTINGLY FOR ERADICATION OF CORRUPTION IN ALL SPHERES OF LIFE. WE SHALL REMAIN VIGILANT AND WORK TOWARDS THE GROWTH AND REPUTATION OF OUR ORGANIZATION. THROUGH OUR COLLECTIVE EFFORTS, WE SHALL BRING PRIDE TO OUR ORGANIZATIONS AND PROVIDE VALUE BASED SERVICE TO OUR COUNTRYMEN. WE SHALL DO OUR DUTY CONSCIENTIOUSLY AND ACT WITHOUT FEAR OR FAVOUR.

## **प्रतिज्ञा**

हम, भारत के लोक सेवक, सत्यनिष्ठा से प्रतिज्ञा करते हैं कि हम अपने कार्यकलापों के प्रत्येक क्षेत्र में ईमानदारी और पारदर्शिता बनाए रखने के लिए निरंतर प्रयत्नशील रहेंगे। हम यह प्रतिज्ञा भी करते हैं कि हम जीवन के प्रत्येक क्षेत्र से भ्रष्टाचार उन्मूलन करने के लिए निर्बाध रूप से कार्य करेंगे। हम अपने संगठन के विकास और प्रतिष्ठा के प्रति सचेत रहते हुए कार्य करेंगे। हम अपने सामूहिक प्रयासों द्वारा अपने संगठनों को गौरवशाली बनाएंगे तथा अपने देशवासियों को सिद्धांतों पर आधारित सेवा प्रदान करेंगे। हम अपने कर्तव्य का पालन पूर्ण ईमानदारी से करेंगे और भय अथवा पक्षपात के बिना कार्य करेंगे।

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## Reasons for corruption?

Compiled by  
Sh. Pankaj Sharma  
Dy. Manager/Vig

### Low salaries

Corruption is often attributed to the low salaries of civil servants. This differentiates between need driven (satisfying basic requirements for survival) corruption and greed driven (satisfying desires for status and comfort that salaries cannot match) corruption.

It may be true that it is more difficult to stay honest, hard-working and trustworthy on a low salary, but it is also true that most people with low salaries are still able to do so and that many corrupt officials are people in high, responsible positions, earning good salaries.

In conjunction, corrupt practices flourish in systems where employees have high job security; where the level of professionalism in the public service is low; and hence officials rather serve their own interests than perform their duty to serve the public. However, low salaries are not a valid reason for and do not justify corruption.

### Culture

A gift culture exists, particularly in Africa, in which it is tradition that a small reward is paid for services rendered. Such a gratuity or tip becomes part of the cultural environment and in certain countries the payment of such rewards is so embedded in tradition that any attempt to rein in the practice would be seen as an attack on treasured cultural values. In Africa, this was traditionally seen as awarding special honours to the Chief and, in this light, it often regarded as acceptable and "normal" for politicians to accept such rewards. In some countries it is common practice in the commercial arena for business transactions to be accompanied by the giving of personal gifts or benefits, ranging from the Christmas bottle of whiskey to much more elaborate and extravagant items. In essence, the root of corruption is greed rather than culture, public life requires a standard of its own; and those entering public office must be made aware of this from the outset. The absence of rules, regulations, policies and legislation All organizations, whether public or private sector, must have rules, regulations and policies that guide management and other employees in terms of acceptable behavior and conduct within the organization. Rules, regulations and policies are instrumental in organizing people, steering them towards a



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common goal and ensuring that everyone is treated fairly and equally. In order to be effective, such rules and policies must be clearly communicated to all individuals in order to be understood and applied objectively. Corruption is more likely to flourish in an organization that does not have a wide range of rules, regulations or policies that guide employees in their work. Similarly, a country must have clear policies and legislation that guide the behaviour of all citizens and residents within that country. However, organizations and countries must strike a reasonable balance in terms of policies and legislation; whilst corruption flourishes in an environment without clear rules and regulations, similarly, corruption finds fertile in a country that has a numerous laws, rules and regulations that restrict business and economic activities. Such a climate creates industries' dependence on individual civil servants to engage in economic activity; thereby circumventing bureaucratic red tape through corrupt offers.

#### **Range of discretion**

No system can exist unless one person or authority is used, to some extent, to make decisions. Such a person is said to have the power to exercise discretion - the freedom to act within certain limits. Corruption takes place in institutions where public officials: have great authority; can exercise discretion with respect to interpretation and application of regulations; are not required to be accountable to anyone; and are driven by greed. Therefore, an environment with a higher range of discretion without accountability is more conducive to corruption. In conjunction, political office is one of the primary means of gaining access to wealth in less developed countries. If corruption occurs on the top level and the political leadership of the country does not set a good example with respect to honesty, credibility, transparency, integrity and the persecution of offenders, citizens become disillusioned and offenders are not deterred from entering into corrupt practices.

#### **The absence of transparency**

Where there is no transparency in an organisation, i.e. where tasks and functions are conducted in secret and are not open to examination by other government officers or the public, the opportunity for corruption increases. Transparency is a prerequisite for democracy in which sovereignty is vested in the people and the conduct of civil servants must be open to examination. It is therefore vital that citizens in general and the media (radio, television, newspapers) in particular are guaranteed the right to freedom of speech; the media can inform citizens of any action by a civil servant that might be corrupt in nature and appropriate calls for action can be made. A transparent system deters corruption as the conduct of civil servants is under constant scrutiny.

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### **The absence of accountability**

In a democracy, public leaders and civil servants must be accountable to the people they serve. Accountability means that public leaders and officers must provide logical and acceptable explanations for their actions and decisions to the people they serve. Civil servants and officers in responsible positions must at all times adhere to the principles of transparency and be accountable to the people they serve. However, accountability is dependent on the enforcement of rules, regulations and policies, if there is a lack of effective institutional mechanisms civil servants cannot be held accountable and corrupt practices can flourish.

### **The absence of a watchdog institution**

If there are no internal or external institutions or bodies that investigate cases of corruption or that act on complaints relating to corruption, employees may take advantage of the fact that the chance of being caught doing something corrupt is remote. Even if the offender is caught, the consequences would probably be minimal if the system has no watchdog function.

### **Corruption in less developed countries**

Although corruption is a universal phenomenon and exists in all countries, it is a more serious matter in less developed countries. The conditions of these countries are such that corruption is likely to have different causes and consequences than in more developed countries. The socio-economic conditions in low income countries are more conducive to the growth of corruption. Corruption is a symptom of deep-rooted economic and political weaknesses and shortcomings in the legislative and judicial system of the country. To aggravate the situation, accountability in these countries is generally weak, the chances of being caught are small and the penalties when caught are light. Non-governmental organizations that could serve as watchdogs and provide information on corrupt practices are generally not well developed.

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## Fraud Risk Management

Compiled by :  
Sh. Anshul Gupta  
CVO / RailTel

There are many ways in which fraud can take place in a company based on working environment, nature, size, control and inherent risk prevalent in the system of the establishment. Most of the frauds are undertaken by any criminal mentality employee employed at any position in the company. There are varieties of ways the individual might fraudulently steal or embezzle the company's assets. The size, complexity and ownership characteristics of the entity have a significant influence on fraud risk factor. In large entity focus on effectiveness of those charged with the governance, internal control function, and formal code of conduct, are important issues, in small entity, may be, these factors are not applicable. Therefore in general, procedure and methodology of White-Collar Crime are based on inherent risk prevalent in the system and fraudster normally studies the procedure of the financial transaction, finds out the loopholes in the system understands the existing controls and then exploits it to his advantage in such a way that it escapes the attention of the routine process. Following are the important categories of fraud:

### **BANK RELATED FRAUDS:**

Bank Management is the single largest vulnerable area which is attacked directly and indirectly within the industry, as well as is the prime source/cause of wrongs happening at all vertices of its clients end. Wrongs happening at the banks directly and indirectly can be best described by the amount of write off that has been happening every year as NPA where as Govt. Banks have written off Rs. 9400 crore in the year 2007, Rs. 8000 crore in the year 2008, the write off exceeds RS.7400 crore in the year 2009 and Rs 10,040 crore in 2009-10. In New Private sector banks bad loans write-off for 2009-10 stood at Rs. 6,696 crore, a more than four-fold increase over Rs 1,581 crore in 2007 -08. Not going into the Bank frauds per se, the common frauds that we have often handled at Industries related to banks are:

- **Opening a Fictitious Bank Account:** Opening a bank account is not a big deal and if one has succeeded in opening a fictitious bank account, the pipe line to play perpetually with the system is firmly laid. (Case Study) Accounts payee Cheque in the name of the company fraudulently encashed by opening the account in the same name at different branch/city/geography is not something that should come as shock to you, the one such account that we caught was opened by the staff person at much junior position at different city from his place of work.

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Notwithstanding the RBI norms on Know Your Customer, Opening a bank account is just no real issue, more so when the company does not even use Pvt. Ltd. or Ltd as suffix to their name. thus, all banks and companies need to be vigilant and pay focus on this issue.

- **Cheque Forgery:** Banks don't pay much attention, particularly if the amount is not large on Accounts Payee cheque, about the signature on a/c payee Cheque. At the same time easy accessibility of unaccounted cheque leaves in large number makes the system more vulnerable. If there is no strict control on cheque books monitoring and accounting. If issue of Cheque are not recorded, A/C payee endorsement not done on receipt of cheque books itself, cancelled cheque on manual system or computerized cheque not accounted, some cheque intentionally left blank for back dated operation and often misused. In nutshell there are large numbers of vulnerable areas in bank operating system for misuse which provide great opportunities to execute wrongs. We do understand that in present business scenario, it may not be possible to maintain cheque issue register as was done earlier when we were manual, however we can definitely maintain a records of all cancelled Cheques which can be easily run through with cheque issued as indicated in the bank book to see if any cancelled cheque has gone unaccounted.
- **Counterfeit Cheque:** We have seen in the recent happening wherein the cheque book has been printed by the fraudster under his own arrangement, which is typically counterfeit but drawn on a real account with real funds in it, using the correct banking information. The scammer can easily print a cheque that is absolutely genuine-looking, passes all counterfeit tests, and may even clear the paying account if the account information is accurate and the funds are available. However; whether it is cleared or not, it eventually becomes apparent either to the bank or the account holder that the cheque is a forgery only after the damage is done.
- **Fraudulently Issue of Draft:** List of interested parties changed while forwarding to bank/salary transfer to bogus account/ to the interested party. Similarly Electronic Funds Transfer can also be played with, more so when the authority is passed off due to limitation of time (Case Study- Gas company fortnightly security deposit).
- **Misuse of advance cheque:** Advance cheques particularly of interest/dividend can be easily misused if not properly accounted and reconciled these cheques can be easily utilized for adjustments such as outstanding advances can be cleared by indicating these cheques, cash deposit may not take place instead these Cheques can be deposited to reconcile the cash, this may not even get caught , unless the narration in the bank statement is perfect and the reconciliation of the bank statement is meticulously done.

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- Misuse of Cheque paid in the name of the Financial Institution/Bank say XYZ A/C 123, for payment on account of handling charges/preliminary expenses to get the loan grant or to re-negotiable the loan by clearing the outstanding etc. in one case in one company good amount was taken from the company in favor of bank to clear the old outstanding to re-negotiate, whereas the cheque was debited to the party, but the credit was not on account of outstanding loan but on account of third party payment. Cheque issued as per books of account for payment of TDS, where as bank statement showed the amount transfer to individual account instead of Govt. Treasury.
  - Cash deposit by the company, deposit receipt removed by bank staff in subsequent deposit, however the amount transferred to this account from dormant account to reconcile and cash deposit siphoned off by the cashier.
  - Cash shown deposit, in lieu cheque deposited (Caught when bank statement showed as transfer)
  - Fund transfer & Inter Branch fund transfer also needs to be standardize.
  - Cash withdrawn Rs. Fifty Lakh accounted only Rupees Fifteen Lakh, accounts reconciled by showing cheque outstanding in the bank reconciliation for long as cleared, it could also have been through deposit of unaccounted Cheque through adjustment (Computerized bank statement for that period changed).
  - Suspense account: All cheque outstanding after three months (becoming time bared as per PSU policy) transferred to this account, to avoid the accounting of time bared cheque and reissue. I found one bank statement placed in the file, looking at the bank account number and then on detailed examination I revealed the suspense account which was taken off from the books), but virtually this account holding millions became a personal account and Director Finance/ CFO did not even know this.
  - By bank employee – misuse off dormant account by transferring the funds.

#### **PAYROLL FRAUD:**

This type of fraud is applicable to all kind of industries big and small and often happens in one form or the other what has happened in Municipal Corporation Delhi where more then Rs.200 Crore have been paid to more then 2000 non existing employees is no big surprise, similarly if Satyam could hold 13000/- employees, for years together and paid though bank accounts and bank accounts were bogus ab-initio, we can understand and appreciate the consequences.

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- Adding non-existing employee, at different stages, adding of causal manpower is the most common.
  - Continuation of payment after termination/retirement (Large MNC – payment outsourced).
  - Altering time records (workshop records show present – gate entry shows absence). Bank payment last page total changed.
  - Change of master file of those people on deputation with those who left the job but their bank accounts were in operation by design and total number of masters remained the same to hoodwink the controls (well planned and executed crime).

#### **INVESTMENT FRAUDS:**

- Investment frauds are among the most costly of all the frauds to the corporate and can easily go through.
- Investment with ulterior motives-huge commission on bad investment.
- Investment made in personal names and paid by corporate by misappropriation.
- Investment shown but not invested. (Bogus investment receipts). It is not only what Harshad Mehta or Khetan Parikh did to banks, it could be easily gone through with any company and Satyam is the recent example which should 3000 Crore of Rupees as Fixed Deposit, which never existed and bogus receipts were placed on record.
- In one of the cooperative society, very large establishment, and corpus hundreds of Crores. Provisions created in allocation account, not carried forward to B/S in liability side and good investment shown written off from the assets and funds misappropriated.
- On maturity receipts not accounted and shown reinvested.
- Misuse of Misc. income and interest. (Easiest and most common to play with, e.g. interim dividend and final dividend, interim dividend not accounted) (Even advance cheques not deposited intentionally). Annual statement received from all MF not paid any importance and note reconciled with transaction statement to ensure all receipt.
- Accrued income not supported with details, (investment records lack critical information)
- Misc. income received by cheque siphoned out, by accounting those receipts in different accounts.
- Biggest vulnerability transaction statement not reconciled with half/yearly statements.

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**INVOICES:**

- Playing up with Price Masters, changes never viewed from the computer logs and audit trail. Price amended and under pricing invoice generate and issued to known party (playing with the prices master when invoices are computerized, if the system is on ERP application, what matters is who is controlling the price amendments in the master file?, Rs. 58 per unit was amended as Rs. 5.8 per unit and to avoid notice invoice was printed as @58 on standalone system) print was off-line.
- One common process error for inward invoice is that the invoice could be paid by multiple business units. Approving authority being the same maintenance/service charge debited for more than one unit by using the extra copy of the invoice.
- Sale shown to party 'A' by sales manager not actually made to party 'A' and sold in market and the account of 'A' adjusted by sales receipt of third party and third party account adjusted by sale return; credited adjustment or misc. receipts which are not accounted against the bona fids accounts.
- Fictitious invoice of duplicate number of same value, in the name of same party, for different items of different group and site, may go through and may not be caught, even during the audit of excise stock register; this can be maneuvered by invoice dealing staff, particularly if they have custody of excisable goods stock register.
- Transfer of goods from C&F to the dealer other than covering area, falling under different C&F, on the request of Area Manager (Case study) Authorized C/F for the area not informed and stock transfer not accounted and payment collected by Area Manager. Head office lost track and did not transfer the responsibility to concerned C&F under presumption that authorized C&F has been informed by C/F who transferred the stock on the advice of Sales Area Manger.
- Issue of stock by Branch/ C&F to agent on cash, cut the bill after a gap and made use of float period.
- Sale to unauthorized dealer on cash at premium and shown to another known dealer/ fictitious dealer on credit at discount rate and paid for.
- Sale to Institutional party by branch on discount, after HQs approval (actual sale much less than shown to the party for whom the approval was obtained).
- Dealers would claim damages from the transportation as well as from the company where as the transport agreement says transporters responsibility), similarly loading and unloading charges.

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- Monthly stock report not priced hence not reconciled with monthly sale summary, and monthly sale summary incorrect due to intentional mistake in the invoice.

#### **REVENUE ACCOUNT :**

- One of the large corporate in tour and travel was operating with more than 100 offices all over India and with large numbers of agents at each city. In few of the cases it was found that sale actually made by the branch office was shown by branch as made through agent, and money was being deposited accordingly, in order to encash commission paid to agents. Came to light when it was noticed that the same cheque series of the same bank was shown as deposited against different dealers, and this Cheque book happened to be of branch manger personal account.
- In one of the housing construction company, allottees package and financial package were not interlinked and were not reconciled. One of the cheques received from the party was credited in two accounts and one siphoned out by mauvering the computer operating system. Housing companies often do no reconciliation for each scheme when various types of schemes are running at a time as to how much amounts was to be recovered and how much is actually received. Hence vulnerable to easy exploitation. This can happen to any financial Institution if any of the clients loan account is played with either with respect to Interest rate or time period by amending EMI. This becomes more vulnerable when any basic factor undergoes changes may be change in the interest rate or part refund.
- Accrued income not reconciled and verified for each investment as one- to- one, hence most convenient to misuse particularly the interim dividends.
- Misc. income and licensing receipts on franchising or on leasing not reconciled. In one case receipt book with duplicate number were being used i.e. one receipt number given to two parties of the same amount and matching names and one duplicate also removed from the receipt book. How it came to light was when it was revealed that all the receipt books were not of 100 in series and each receipt book varied and serial number were not printed but were embossed.
- Finance companies- Repayment of loan by the customers by advance Cheque (computer generate Summary of Payment & Receipt Report deleted and not accounted, though individual ledger updated. This went through as the summaries were not monitored to its continuous serial number.
- In one of the case approval to write- off long outstanding dues was



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granted for party 'A' whereas intentionally the amount was written of for party 'B' with ulterior motive.

- Intentional wrong accounting, payment of PF advance, to be charged to the PF corporate group society shown as misc. payment, payment of PF as misc. payment obviously was not reported to the society, hence the payment went unnoticed.
- Refund of earnest money and security deposits, were often received by the company by draft, the accounts were not reconciled properly for all outstanding security deposit/earnest money for various contract tenders. Such drafts were misused even to clear outstanding loans.

#### **CONTRACT & PROCUREMENT FRAUDS:**

Contract and Procurement frauds are the most common and easy to execute. At the same time, in spite of the best circumstantial evidences and clear intention to help someone to earn rich dividends it's really difficult to prove conclusively of the intentional wrong, hence the wrongdoers often goes scot-free. There are various types of wrongs in contracts and procurement.

- **Fraud in Inception:** Occurs if a person is deceived as to the nature of his or her act and does not know what he or she is signing. Such contracts are void rather than just voidable.
- **Fraud in the inducement:** Occurs when the party knows what he or she is signing but has been fraudulently induced to enter into the contract. Such contract are voidable by the innocent party.
- **Fraud by concealment:** occurs when one party takes specific action to conceal a material fact from another party.
- **Fraudulent Misrepresentation:** A misrepresentation occurs when an assertion is made that is not in accordance with the facts. An intentional misrepresentation occurs when one person consciously decides to induce another person to rely and act on a misrepresentation or fraud. To prove element of Fraud through misrepresentation the following elements must be shown:
  - a) The wrongdoer made a false representation of material fact.
  - b) The wrongdoer intended to deceive the innocent party. (guilty mind)
  - c) The innocent party justifiably relied on the misrepresentation
  - d) The innocent party was injured.
- **Silence as Misrepresentation:** Generally, neither parties to a contract owes a duty to disclose all the facts to the other party. Nondisclosure is a

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misrepresentation if it would constitute a failure to act in 'good faith'. Ordinarily such silence is not a misrepresentation unless:

- a) Nondisclosure would cause bodily injury.
  - b) There is fiduciary relationship
  - c) Central or state statute requires the disclosure
- Misrepresentation of Law: usually a misrepresentation of law is not actionable as fraud. There is an exception to this rule if a professional makes the misrepresentation to a less sophisticated contracting party.

**OFTEN OBSERVED VULNERABILITY IN CONTRACT:**

**Terms & Classes formed to suit favorites:** Terms of contracts are formed and maneuvered to suit the requisites for the favorites; for obvious reasons. Emerging of 2G Spectrum scam seems one of such contract.

**Changes in the contract terms:** Change of contract papers, signing of contract papers back dated to provide unauthorized regularization, change in terms of contract by addendum are not unusual. Hire purchase of machinery subsequently converted as financial lease by change of purchase documents in connivance with the dealer.

**Casual/ Contract labor:** What are the contract terms for employment of labor? Is the payment man hours based or is work/ task oriented? How the man-hours/ daily basis criteria defined and monitored and if it is task oriented, how the task is defined and monitored (Call center paid for contacting the right party---Right Party Contact was not defined and there was no mentioning in the LOI/ PO for payment of such calls).

**Leveraged Contracts:** Task of Procurement and Installation of item contracted to one party. Quality and specification of items not monitored and intentionally compromised. (Case Study-Capacitor of low performance easily replaced in the process) The quality check needs to be more focused.

**Highest and Second Highest Collusion:** This feature is quite common whether it is open bid or closed bid. This could be performed by the caucus or different companies of the same group. (Case Study- HFCL).

**Terms interpretation:** This is common issue for dispute. Royalty @5% on net of sale; net of sale defined at one place as Sale Price - Cost of Item, at other place it is defined as Sale Price-Cost of Component, item and component have different connotation.

**Contractor Favoritism:** Various Contractors are Favored in many ways, even in good faith, which are often exploited in due course of time by the contractors.

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## **INVENTORY:**

Inventory fraud can be a frightening experience and seems like a rogue's gallery. Inventory frauds are often executed by the establishments themselves as well as by the individual fraudsters. Inventory overstatements made up the majority of asset valuation frauds. The valuation of inventory involves two separate elements, which are quantity and price. Determining the quantity of inventory on one hand is often difficult as goods are constantly being bought and sold, transferred among locations, inter unit transfer and added during a manufacturing process. Figuring the unit cost of inventory on the other hand can be problematic as well; Fifo, Lifo, average cost and other valuation methods can routinely make a material difference in what the final inventory is worth. As a result, the complex inventory account is an attractive target for fraud. Organizations which play with the system, usually, use a combination of several methods to commit inventory fraud, which are fictitious inventory, manipulation of inventory counts, non-recording of purchases and fraudulent inventory capitalization, converting good material to obsolete, for which Daewoo India was no exception. Where as for the individual fraudster what would matter is his scope of functional role and accessibility to other corners. All these elaborate schemes have the same goal of illegally boosting inventory values in order to adjust the shorts which either have not moved in or have been removed fraudulently by one way or the other.

Analytical procedures: Inflated inventory to project better results; the books of accounts do throw out lead indicators; compared with previous periods, the cost of sales will be too low; inventory and profits will be too high. There will be other signs, too. When analyzing a company's financial statements over time, the investigator should look for the following trends; Inventory increasing faster than sales, decreasing inventory turnover, shipping costs decreasing as a percentage of inventory, Inventory rising faster than total assets move up, falling cost of sales as a percentage of sales.

Standards for write off of input stock or of finished good stock, if they involve regular wastage for any reason must be laid scientifically, more so, when the stock is subject to evaporation and climate influenced e.g. oil, gas etc. The percentage of shortfall in the form of evaporation would be based on the turnover and turn over must be well defined. Similarly these standards must be evaluated regularly with other corporates for which the data is available at various commercial sites to avoid the risk of maneuvering.

The modus operandi that we have often and commonly observed are:

- Under ERP inventory operation, wherein the complete process was computerized starting from a job card which was raised for production, was found to have been deleted on approval of quality control on completion of production process by packaging department staff, before actual packaging and transfer of the packing stock to finished good godown.
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- Class A category stock issued as Category B.
  - On reclassification item converted to obsolete/scrap to create a catch and perpetrate theft.
  - Misuse of consumables and packing material.
  - Stock transfer on change of financial year maneuvered. No auto transfer.
  - Stock sheet not valued and hence not reconciled with actual sale value.
  - Issue of store on Non-Returnable Gate Pass/ RGP tampered with. Item issue don RGP never came back, so many persons authorized to sign RGP/NRGP and many series of booklet in operation concurrently.
  - Fraud in collusion.

**EXPENDITURE A/C FRAUD:**

- Duplicate Invoice Payments: There are many ways of entering duplicate invoices, most of us would consider such accounting entries as error to be corrected and dismissed, most accounting system exclude DIPs consequently to enter an invoice the system must be circumvented e.g. add an alpha character to the invoice number i.e. 12345A.
- Personal expenses could be repaid either as an addition to monthly salary or as a separate cheque. The clerk authorized some expenses twice, both as an addition to salary and as a separate cheque. Separate cheque misused.
- Fictitious bills (transporter bill and invoices in same hand), computerized bills are even more easy to play with as one cannot even make out if the same is original or duplicate.
- Purchase of lower grade capacitor against the sanction and payment of high grade capacitor. Supply of capacitors and installation by the same contractor.
- Personal payment not shown in personal account, PF payment booked as Misc.
- Contractors part bill, amount not debited to his account, debited to general payment. (In collusion with dealing staff, dealing person will open part file and get the approval and payment not recorded in the original file and also shown as general payment).
- Over billing through multiplication and totaling mistake (one rarely checks the total of computerized invoice/bill).
- One-expenditure shown in two accounts and paid twice (two copies of computerized bill approve as original and duplicate subsequently made

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as two bills and photocopy made and attached with each as duplicate and paid on different dates).

- Advance not adjusted against payment subsequently misused on refund.
- Adjustment in ledger account-exp against sec deposit (security deposit shown as expenditure to avail tax, security deposit on return not accounted).
- Franchising frauds annuity received and not accounted. (Duplicate receipt).
- In collusion with outsider (The outsider often has an inside confederate who steers him to clear of).

**ACCOUNTING PRACTICES:**

- A proper software package/ ERP create the Journal and do the posting to appropriate ledger automatically from the basic document such as invoice/ purchase order. However such packages can be abused, you just need an access, and most common trick is of making series of alteration and erasers in the basic documents.
- Pseudo computerization. Large number of records and registers such as Asset Register, Investment Register are maintained on spread sheet, vulnerability not understood.
- Transfer of entries from one account to another without journal proper and improper maintenance of Journal proper which often are not approved.
- Non-adherence to standard accounting practices e.g. combining receivables and advances under one ledger group, advances paid are debited to the parties account and not monitored separately, thus losing track.
- On account receivables, Accounts not reconciled
- Large number of bank accounts and lack of effective control and monitoring, delegation of powers for signing of Cheque often not adhered on transfer of funds.
- Non-maintenance/ regular updating of registers, such as advance register, assets allocation register etc. If we don't have Assets allocation register, which often is not there, how can we carry out physical check and monitor effective control just based on loan cards or such details
- Inter-bran.ch transactions and reconciliation are given the least priority and taken for granted.
- Issue of Cheque lacks proper monitoring - misuse (Case study

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discussed in next session- Fund Transfer)

- Accrual reconciliation and accounting of advance Cheque are often paid least attention.
- Stock verification procedure often faulty, inventory balances informed before stock taking starts, if at all undertaken by independent group.
- Maintenance of bank accounts and BRS reconciliation procedure - Major weak area (As a matter of fact no one can verify the BRS for correctness without the help of dealing staff. I really have not seen any BRS ever verified by any independent person.)
- Dormant accounts kept for long and at times dummy account created to accord credit and the cheques are automatically generated for outstanding balance. Receivable reconciliation given no priority.
- Procedure for raising invoices needs closer scrutiny; price change in master file needs very close monitoring at senior level, with dual control and Risk Management must monitor this as vulnerable area, if it is not, the system is vulnerable. VARIATION Report on master price must be generated, as ritual and be part of routine MIS and be monitored at senior position other than the person in charge to control Price Master.
- Signing of invoices. (Second signature should not be with the person who is responsible for invoice generation)
- Code numbers for all the parties, and invoice generation by code number only.
- Invoice in stand-alone mode and not computer generated, totaling mistake, issued to own party and sold in market and account cleared.
- Inter unit transfer. Reconciliation not only frequently but also on one to one as (issue invoice inter unit at low price and sell outside and clear accounts) under pricing, wrong totaling cannot be over-ruled.
- Inter branch/ Inter C&F transfer for authorized agency needs closer monitoring.
- Pricing of stock sheets and its reconciliation with sale summary for each branch and C&F.
- Accounting of sale, reconciliation with total invoices and sale summary.
- Regular reconciliation of receivables- most vulnerable area.

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## Corruption : Old & New

Source :  
VIGEYE VANI, May 2011

As per UN estimates, organized global crime earns \$ 1.1 trillion (1995), with the drug trade being responsible for around \$400 billion and money laundering for around \$ 500 billion. These syndicates thrive on corruption and are not subject to any institutional control. Corruption has become the centre stage of debate these days due to several factors, some of which are as follows -

- Globalization - Earlier corruption was the concern of domestic agencies like police and audit, but now it appears in the agenda of international organizations like the World Bank and the OECD. In this regard, credit goes to Transparency International (TI) for leading a campaign through a very powerful survey "Corruption Perception Index" which ranks countries accordingly.
- Economic - Earlier corruption occupied the attention of lawyers and criminologies. Now the lead is being taken by economists where the cost of corruption and its effect on economic development are being debated. Economic analysis and methods for using incentives and disincentives are being considered. In this regard, the economic model of Robert Klitgaard (1988) is worth mentioning-

Monopoly + Discretion – Accountability = Corruption

- Cultural – Earlier giving gifts was a part of social custom and tradition in many countries and was generally acceptable to people. However, citizens now have become less tolerant in this regard and social acceptance of these customs has reduced considerably.
- Criminality of political corruption - Earlier corruption was prevalent in the lower level of bureaucracy but of late it has acquired great dimension at every level. The problem is much more in the case of countries where dictatorships have been prevailing and ill-gotten money is stashed away in Swiss Banks.
- Control of corruption – Earlier corruption was considered to be controlled only through investigation and prosecution but now the focus is on education and prevention. Corruption often takes place in secrecy. Hence, investigation and prosecution become difficult. Investigation also needs to be followed up in many countries in respect of trans-national crime. Hence if education and prevention are taken up it will be tackling the problem upstream requiring lesser investment.

***Corruption is a disease and prevention is the cure.***

Disclaimer - The views expressed by the author are his own.

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### **भ्रटाचार का अधिकार कानून**

12 अक्टूबर 2005 को सूचना का अधिकार कानून (आरटीआइ एक्ट) अस्तित्व में आया। इसके लागू होने के बाद माना गया था कि जनता तक सूचनाओं की पहुंच आसान हो जाएगी और सरकारी जवाबदेही और भ्रष्टाचार पर अंकुश लगाने में यह कानून कारगर साबित होगा। हालांकि इसके प्रयोग से कई घोटालों का भंडाफोड़ किया गया लेकिन इसका असर केवल घोटालों को सामने लाने तक ही सीमित है।

असर : कानून लागू होने के पांच साल बाद प्राइसवाटरहाउसकूपर्स ने मूल्यांकन कर देश भर में इसके प्रभाव की वास्तविक जानकारी के संबंध में एक रिपोर्ट प्रस्तुत की। इसके अनुसार इस सक्षम कानून के प्रति लोग जागरूक नहीं हैं। जहां 47 फीसदी लोगों को तय समय में वांछित जानकारी न मिलने का मलाल है वहीं अधिकारी काम बढ़ने का रोना रोते हैं।

### **ज्युडीशियल स्टैंडर्ड एंड अकाउंटबिलिटी बिल –2010**

न्यायिक क्षेत्र में सुधार के लिए एक दिसंबर 2010 को दसे लोकसभा में पेश किया गया। 30 दिसंबर, 2010 को राज्यसभा ने इस बिल को कार्मिक, लोक शिकायत, कानून एवं न्याय मामलों की संसदीय समिति के पास विचारार्थ भेज दिया। समिति ने 30 अगस्त को संसद के दो सदनो के पटल पर अपनी रिपोर्ट पेश की। न्यायिक क्षेत्र में सुधार के लिए प्रस्तावित इस कानून की प्रमुख खूबी जजों की नियुक्ति प्रक्रिया में बदलाव है।

### **पब्लिक प्रोक्योरमेंट बिल**

पेसिल से लेकर विमान तक के सरकारी खरीद समझौतों में पारदर्शिता लाने के लिए यह बिल प्रस्तावित है। इसे संसद के शीतकालीन सत्र में पेश किए जाने की संभावना है। इस बार स्वतंत्रता दिवस पर प्रधानमंत्री मनमोहन सिंह द्वारा पब्लिक प्रोक्योरमेंट बिल लाने की घोषणा के बाद इसे गति मिली। फरवरी में कैबिनेट सचिव ने कंपटीशन कमीशन के पूर्व चेयरमैन विनोद धाल की अध्यक्षता में प्रोक्योरमेंट मसले पर एक विशेष समिति का गठन किया था। यह समिति अपनी सिफारिशें सौंप चुकी है।

### **प्रिवेंशन ऑफ मनी लांडरिंग एक्ट एंड अनलॉफुल एक्टिविटीज (प्रिवेंशन) एक्ट में संशोधन**

फाइनेंशियल एक्शन टास्क फोर्स की सिफारिशों के बाद जुलाई महीने में इस बिल में संशोधन के मसले ने तूल पकड़ा। संशोधन बिल में 28 विभिन्न रूपों वाले 156 अपराधों से निपटने का प्रावधान है। इसके अलावा इस बिल में आतंकवाद को मुहैया होने वाले वित्त से लड़ने के भी प्रावधान किए गए हैं।

### **जन शिकायत निवारण विधेयक –2011**

इसे विधेयक को समीक्षा के लिए कानून मंत्रालय और पीएमओ में भेजा जा चुका है। प्रस्तावित विधेयक तान मूल सिध्दांतो पर आधारित है। सिटिजन चार्टर शिकायतों के लिए तय समयसीमा में सेवा मुहैया कराने में असफल रहने पर सजा का प्रावधान।

### **यूआइडी अथॉरिटी ऑफ इंडिया बिल 2010**

विशिष्ट पहचान परियोजना (यूआइडी) के तहत देश के सभी नागरिकों की पहचान करके उन्हें प्रभावी रूप से कल्याणकारी योजनाएं मुहैया कराई जानी है। इसके द्वारा सरकारी



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योजनाओं और कार्यक्रमों की निगरानी भी की जसएगी । पिछले साल सितंबर में इस बिल को कैबिनेट की स्वीकृति मिल चुकी है । इस बिल में नेशनल आइडेंटिफिकेशन अथॉरिटी ऑफ इंडिया नामक एक संवैधानिक प्राधिकरण बनाएं जाने प्रस्ताव है ।

#### **इलेक्ट्रॉनिक सर्विस डिलीवरी बिल**

सरकारी दफतरों एवं कामकाज में इलेक्ट्रॉनिक माध्यम से जनसेवाओं को मुहैया कराने को लेकर यह बिल प्रस्तावित है । इस कानून के लागू होने के बाद सभी सरकारी कार्यालयों में इलेक्ट्रॉनिक माध्यम में सेवा देने की अनिवार्यता हो जाएगी । बिल का ड्राफ्ट तैयार है । इस साल अप्रैल में विभिन्न मंत्रालय की राय लेने के लिए इसे उनके पास भेजे जाने के अलावा कैबिनेट में भी भेजने की चर्चा थी ।

#### **ब्राइबरी ऑफ फॉरेन पब्लिक ऑफिशियल बिल – 2011**

इस साल के बजट सत्र में इस विधेयक को लोकसभा में पेश किया गया । इसका मुख्य उद्देश्य भारत में घूस देने वाले विदेशी अधिकारियों को प्रत्यर्पित करके यहां लाकर सजा देना है । यह प्रावधान अब तक यहां के भ्रष्टाचार के लड़ने वाले कानूनों में शामिल नहीं था ।

#### **इलेक्टोरल रिफार्म्स एमेंडमेंट बिल**

चुनाव सुधारों पर लगला आंदोलन करने की अन्ना की चेतावनी ने सरकार को अग्रिम रणनीति तैयार करने पर विवश कर दिया । लिहाजा इसी महीने में सरकार को चुनाव सुधारों पर विधेयक लाने की धोशण करनी पड़ी । इस प्रस्तावित विधेयक में राजनीति को अपराधीकरण से मुक्त करने के लिए व्यापक चुनाव सुधारों की बात कही जा रही है । इस विधेयक को संसद के शीतकालीन सत्र में लाने का अनुमान है ।

#### **व्हिसिल ब्लोअर प्रोटेक्शन बिल**

पूर्व में मंजूनाथ शणमुखम, सत्येंद्र दूबे, अमित जेठवा, दत्ता पाटिल, सतीश शेड्टी, विट्ठल गीते, शशिधर मिश्रा जैसे व्हिसिल ब्लोअरर्स मारे गये । इसके अलावा कई आरटीआइ कार्यकर्ताओं पर जानलेवा हमले हुए । लगातार बढ़ती इस तरह की घटनाओं के बाद एक ऐसे कानून की जरूरत महसूस की गई जो देशहित या जनहित में किसी अनियमितता या घोटाले के खिलाफ आवाज अठाने वालों को संरक्षण प्रदान करे । अगस्त 2010 में प्रस्तावित विधेयक पब्लिक इंट्रेस्ट डिसक्लोजर एंड प्रोटेक्शन टू पर्सन मेकिंग द डिसक्लोजर बिल 2010 को कैबिनेट की स्वीकृति मिली । इस बिल में मुख्य सतर्कता आयोग को एक सिविल कोर्ट की शक्तियां दी गई है ।

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### **MONEY CORRUPTS?**

Depending on your view point, money may or may not be seen as corrupt. If we look at money and financial system as representation and qualification of trust between people which exists to enhance the flow of that trust, then we can say that Modern money and Modern financial systems corrupt that noble ideal to some degree.

Nothing is perfect, and money systems are definitely not perfect. They have design flaws, implementation flaws, and they are not immune to manipulation.

Yet, as a tool, money cannot be corrupt. A tool can be adequate or inadequate, efficient or not efficient. "It is only integrity of people which can be corrupted." \_\_\_\_\_ IMP.

To prevent both the corruption of people and the use of adequate tools, all people should strive for a much more comprehensive financial education.  
**Corrupt money should be thing of the past.**

### **POWER CORRUPTS?**

Many People believe that power has a corrupting Influence. After all, we all experienced that the behaviour of some of our friends or acquaintances changed for the worse when they got a taste of power.

We might even feel that way about ourselves - that power corrupts us.

As our life changes, we experience many new and different situations. The decisions we make influence greatly how we see ourselves. Power is closely tied to responsibility. It can be quite easy to gain power for a short period of time, but quite hard to keep that power without a sufficient level of responsibility.

"Power does not corrupt, but it represents a new situation which the bearer of power can use to redefine himself. Without self discipline or responsibility. Power can become a mirror showing us an ugly image of ourselves.

Pushendra Singh  
MGR/POM

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## उन्नति और भ्रष्टाचार

रबड़ के चार पहिर्यों पर सजी कर  
विकास का प्रतीक हो गयी है,  
चलते हुए उगलती है धुआं  
इंसान बन गया मेंढक  
ढूँढता है जैसे अपने रहने के लिये कुआं,  
ताजी हवा में सांस लेती जिंदगी  
अब अतीत हो गयी है।  
उन्होंने पूछ था अपने दोस्त से  
खुशियां दिलाने वाली जगह का पता  
उसने शराबखाने का रास्ता दिखाया,  
चलते रहे मदहोश होकर उसी रास्ते  
संभाला तब उन्होंने होश  
जब अस्पताल जाकर  
बीमारों में अपना नाम लिखाया।  
हमने उनसे पूछा कदाचार के बारे में  
उन्होंने जमाने भर के कसूर बताये  
भरी थी जेब उनकी भी हरे नोटों से  
जो उन्होंने 'ईमादारी की कमाई' जताये।  
मान ली उनकी बात तब तक के लिये  
जब तक उनके 'चेहरे'  
रंगे हाथ कदाचार करते पकड़े नज़र नहीं आये।

पुष्पेन्द्र सिंह  
प्रबंधक /पौम  
कन्नरपोरेट कार्यालय

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## **Various causes leading to deficiencies and preventive measures in different stages of public procurement.**

Compiled by  
Sh. Pankaj Sharma  
DM / Vig

### **Various causes leading to deficiencies**

- No manual / Old manual
- Lack of standardization in contract conditions, specifications etc.
- Lack of knowledge of the public procurement process.
- Casual Approach
- Malafide Intentions

### **Preventive measures**

1. Get the manual updated, if required. If there is no manual get it prepared. The need to have well documented policy guide lines in an organization to execute the procurement activity in a uniform and well coordinated manner. Unavailability of above, renders the system of procurement quite ad-hoc and arbitrary. It is therefore, essential that a codified purchase/works manual containing the detailed purchase/works procedures, guidelines and also proper delegation of power is prepared in the organizations so that there is a systematic and uniform approach in decision making.
2. Go through the CTE's intensive examination reports and complaints received in the organization to know the common irregularities occurring in the public procurement.
3. Login CVC website regularly to update with booklets issued by the CTEO's / latest circulars / information.
4. Publish regular news-letters on website to update officers regarding common deficiencies and their preventions / CVC circulars.
5. Arrange adequate training to technical staff in practices / contract management etc.

### **Following are the checkpoints -**

- Web-site
- Tender advertisement
- Tender opening register
- Tender evaluation notes
- Time frame for decisions
- Tenders/tender files
- Agreement
- Bills
- Verification of BGs
- Site records

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**Checkpoints for tender stage-**

- Open tenders are called as far as possible.
- The panel of contractor / vendors are prepared and updated periodically in transparent way.
- Prequalification criteria is notified and applied as per notified criteria.
- In case of relaxation in prequalification criteria tenders are recalled. Credentials are verified at least in case of L1.
- Commission's circular regarding negotiations with L1 are to be complied with.
- Conditions of tenders are not relaxed after price bids are received.

**Check points for execution stage-**

- Agreement is signed & sealed properly
- Bank guarantees are verified
- Conditions regarding insurance policies, P.G., Labour licence etc complied with.
- Major deviations not done.
- Recoveries are made as per contract.
- Proper record of hindrance maintained.
- Mandatory tests are carried out.

**To Improve Transparency in Public Procurement (Recent Initiatives)**

- **Right to information Act**, which has come into force in October 2005. The objective of the RTI Act 2005 is to promote transparency and accountability in the functioning of every public authority.
- **Integrity Pact:** This is a tool developed by Transparency International to help government, fight corruption in the field of public procurement. It is a binding voluntary agreement between the procurement agency and all bidders for a project. Both agree not to accept / give bribe to obtain or retain the particular contract. The implementation of integrity pact is to be monitored by independent monitors, selected by the organizations with the approval of the commission.
- **Leveraging information technology:** The Government is promoting E-Governance to improve transparency in Government functioning. As regards public procurement, the modern IT tools can be leveraged in enhancing transparency in the form of ETendering, E- Procurements, E-payments & uploading of post tender details on the website.

**Honest differences are often a healthy sign of progress.”**

**The only tyrant accept in this world is the still voice within.”**

**- Mahatma Gandhi**

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### **Case Study 1**

In a complaint case, it was observed that General Manager of a Territory has issued wrong credential to the firm and on the basis of wrong credentials the tender was issued to the firm. Major penalty action has been initiated against the General Manager.

### **Case Study 2**

In a preventive check conducted in a region, it was observed that the material received was not as per PO. D&AR action initiated against the inspecting official and other of various regions.

### **Case study-3**

#### **Some of the system improvements suggested by vigilance**

#### **(1) Procedure of Inspection of materials at firm premises.**

- a. Standard policy of inspection of materials at firm premises should be framed for the materials which were not being inspected by RDSO and the test format needs to be standardized in consultation with the suppliers/OEM.
- b. The material procured for a particular requirement should be used for the same.
- c. The I.C. must be signed by the authority deputed by the controlling officer for the inspection of the materials.

#### **(2) Sub: O&M Practices**

It has been seen that most of the vigilance complaints arise in O&M contracts as well as in this operation of this contract. Regions need to be more transparent in O&M practices:

- a. Create a database of OFC network, clearly bringing out number of fibers available in each section, being contracted out, its loss value and no. of break fibers if any.
- b. For each billing cycle, the updated list of such fibers with break numbers and loss value should be a part of the billing.
- c. Further there has to be system, in which there is a physical audit of such fibers at Manager/ Sr. Manager levels with test checks by DGM/ GM/TM/ ED.

#### **(3) Sub: Areas of Vigilance Administration and improving efficiency and transparency.**

Following areas has been identified to be checked during periodic vigilance checks for improving efficiency and transparency in the business environment of the company, including system improvement:

- a. Project management, specially OFC laying works, finalization of tenders, execution of works, commissioning of the network.
- b. Bill payment management on the regions, complying CVC guidelines of 100% online bill payment entry. Advising all vendors to also make entries in the bill payment system immediately.
- c. O&M contract management. Identifying and including list of condition of fiber on each section, with actual number of broken fibers, their losses etc. Payments as per extant CO instructions.
- d. Checking the role of Audit of the accounting system, improvement and access controls in the Tally. Reconciliation of the bank accounts.
- e. Checking the systems of Correct and Timely invoicing, outstanding etc.

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## Taking Permission of Giving Intimation to Department for Immovable/Movable Property Transactions

Source:  
Railway Board Vigilance Bulletin, July 2011

As per Railway services (conduct) Rules-1966, the Railway Officials are required to "Take permission of/ Give Intimation to" the Department for various Immovable/Movable property Transactions. It is observed that many officials don't comply with these rules, many times due to ignorance and/or indifference, which amounts to "violation of Conduct rules' and makes them liable for "disciplinary action"

1. The relevant Rules are given in Rule 18 of the Railway Services (Conduct) Rules-1966, which is further subdivided into sub-rules 18(1), 18(2), 18(3), 18(4) and 18(A). For complete text, Railway Services (Conduct) Rules-1966 may be referred, but these provision are summarized as under:

### Rule 18(1)

- (i) Every railway servant shall on this **first appointment to the service submit a return of his assets and liabilities**, in the prescribed form giving full particulars regarding-
  - (a) The immovable property inherited by him, owned or acquired by him or held by him on lease or mortgage, either in his own name or in the name of any member of his family or in the name of any other person;
  - (b) The shares, debentures and cash including bank deposits inherited by him or owned, acquired, or held by him,
  - (c) Other movable property inherited by him or similarly owned, acquired or held by him;
  - (d) Debts and other liabilities incurred by him directly or indirectly.
    - In return, the values of items of movable property worth less than Rs. 10,000 may be added and shown as a lump sum. The values of articles of daily use such as clothing, utensils, crockery, book and the like, need not be included in such return.
    - Where a railway servant already belonging to a service or holding a post is appointed to any other government or Railway service or Post, he shall not be required to submit a fresh return under this clause.
- (ii) Every railway servant belonging to any service or holding any post included in Group A or Group B shall submit an annual return in the prescribed form giving full particulars of the immovable property inherited

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by him or owned or acquired by him or held by him on lease or mortgage either in this own name or in the name of any member of his family or in the name of any other person.

#### 1.2 Rule 18(2)

Every Railway servant shall intimate the Government in advance, for acquiring or disposing any immovable property by lease, mortgage, purchase, sale gift or otherwise either in his own name or in the name of any member of his family.

However, previous sanction of the Government shall be obtained if the transaction is with a person having official dealings with him.

#### 1.3 Rule 18(3)

For any movable property transaction either in his own name or in the name of a member of his family, within one month from the date of such transaction, the transaction should be intimated, if the transaction value exceeds **Rs. 20,222/--in case of a Group A or B Gazetted Officer or Rs. 15,00/-in case of Group C or D post.**

However, previous sanction of the Government shall be obtained if the transaction is with a person having official dealings with him.

#### 1.4 Rule 18(4)

The Government or any authority empowered by it in this behalf may, at any time by general or special order, require a railway servant to furnish, within a period specified in the order, a full and complete statement of such movable or immovable property held or acquired by him or on his behalf or by any member of his family as may be specified in the order.

- Purchase of items of movable property, for giving presents at the time of marriage, are regulated by Rule 18(3).
- For the purpose of this rule, the expression 'movable property' includes-
  - a) Jewellery, insurance policies the annual premium of which exceeds Rs. 10,000/- or one-sixth of the total annual emoluments received from Government, whichever is less, shares, securities and debentures;
  - b) All loans, whether secured or not, advanced or taken by the Government servant.
  - c) Motor cars, motor cycles, horses , or any other means of conveyance; and Refrigerators, radios, radiograms and television sets.
    - It is undesirable for Railway servants to bid at auction arranged by their own department or under orders or which the auction is conducted and if the does so it would be regarded as indulging in conduct unbecoming of a railway servant under the rules.



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- Whenever a Railway servant wishes to build a house, the following procedure should be followed:
    - (a) Before starting construction of the house, he should report or seek permission as the case may be and after completion of the house, he should report to the prescribed authority.
    - (b) In case where the expenditure to be incurred on repairs or minor construction work in respect of any immovable property belonging to a Railway servant, is estimated to exceed Rs. 1,000/- sanction of the prescribed authority is required.
  - The factor of giving or receiving money between father and son can be termed as a transaction of movable property within the meaning of Rule 18(3).
  - Railway servants should not buy or sell property to or from a firm with whom he has official dealings. In optional cases, however, permission may be granted only after careful enquiry into the officer's dealing with the firm and after it is satisfactorily established that he was not conferred and is not likely to confer any official favor upon the party concerned.
  - No permission of the Government is necessary for taking Life insurance Policy or making fixed deposits in Banks under sub-rule(3) above, permission is required to be obtained to join a Chit Fund.
  - Transaction entered into by the spouse or any other member of family of a railway servant out of his or her own funds(including stridhan, gifts, inheritance etc.) as distinct from the funds of the railway servant himself in his or her own name and in his or her own right, would not attract the provision of sub-rule(2) and(3) of Rule 18.
  - Supervisory staff of Group 'C (class-III) on railway working in scales of pay the maximum of which is Rs.900/- and above, should also submit an annual return of immovable property inherited by him, or owned or acquired by him, or held by him on lease or mortgage, either in his own name or in the name of any member of his family or in the name of any other person. The return should be submitted within 3 months of his first appointment in the grade and thereafter in the month of January every Year.
  - The following categories of Commercial Staff in all grades, viz- Reservation Clerks, Parcel Clerks, Booking Clerks,- TTEs and TCs, should, besides submitting a property return on their initial appointment as required in Rules18(1) (i) of the Conduct Rules, should also submit a return of their property at the time of every promotion, as also at the time of submitting documents for pension (approximately two years prior to superannuation).
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- Sale and purchase of shares, securities, debentures etc. are to be treated as movable property transactions. An intimation is to be given under Rule 18(4) in the following cases:

- (i) **Group 'A' and 'B' officers- If the cumulative transactions i.e., sale, purchase** or both in shares, securities, debentures or mutual funds scheme etc. exceeds **Rs. 50,000/-** during the calendar year.
- i. **Group 'C' and 'D' Officers- If the cumulative transactions i.e., sale purchase** or both in shares, securities, debentures or mutual funds scheme etc. exceeds Rs. 25,000/- during the calendar year.
- ii. The above intimation will be in addition to the intimation (s) required to be given under Rule 18(3) in respect of individual transaction in shares, securities, debentures, etc. Which exceeds the amounts prescribed therefore.

### **1.5 Rule 18(A)**

#### **Restrictions in relation to acquisition and disposal of immovable property outside India and transaction with foreigners, etc.**

No railway servant shall except with the previous sanction of the Government-

- (a) Acquire, by purchase, mortgage, lease, gift or otherwise, either in his own name or in the name of any member of his family, any immovable property situated outside India.
  - (b) Dispose of, by sale, mortgage, gift or otherwise, or grant any lease in respect of any immovable property situated outside India which was acquired or is held by him either in his own name or in the name of any member of his family;
  - (c) Enter into any transaction with any foreigner, foreign Government, foreign organization or concern-
    - (i) for the acquisition, by purchase, mortgage, lease, gift or otherwise, either in his own name or in the name of any member of his family, or any immovable property.
    - (ii) For the disposal of, sale, mortgage, gift or otherwise, or the grant of any lease in respect of, any immovable property which was acquired or is held by him either in his own name or in the name of any member of his family.
2. All the Railway Officials must follow the above provisions of Conduct Rules, as a culture or practice, to avoid any violation of Conduct Rules. The concerned administrative branches (Personnel Branch or Administrative Branch etc.) who deal with cases of such intimations/permissions should also encourage such request for intimations/permissions.

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## नया विचार

दोस्तो मेरे दिमाग में अभी – अभी नया विचार आया है,  
लिखू या न लिखू , कोई नई समस्या न खड़ी हो जाए,  
इसी दुविधा में फंसी हूँ ।  
फॉर योर काइन्ड इन्फोरमेशन. आपको बता दू ।  
इस दुनिया में जब-जब नया विचार आया,  
हमेशा संकट ही है लाया,  
आप ही देख लीजिए ,  
आविश्कारको के दिमाग में जो-जों आया उन्होने बनाया,  
लेकिन बदले में हमने क्या पाया ?  
किसी ने हवाई जहाज बनाया , दूर-दूर की सभ्यताओं को मिलाया ,  
उन्हें आपस में भिड़ाया , बदले में हमने विश्व युद्धपाया,  
किसी ने चिकित्सीय यंत्र बनाया लोगों को मरने से बचाया  
और जनसंख्या को बढ़ाया  
किसी ने बारुद बनाया, आग में ही डालकर और भड़काया ।  
कइयों को शहीद और कइयों को निर्मम हत्यारा बनाया  
किसी ने इंजन बनाया गाडी, स्टीमर, जहाज सबको दौड़ाया  
धोड़ों, गधों की मेहनत कम तो हुई.  
लेकिन प्रदूषण फैलाकर उन्होंने क्या पाया  
कहीं अस्थमा, कहीं कैंसर आया  
खूब कहर टूटा, हजारों लाखों को लें डूबा  
किसी ने बेतार बनाया  
अजी- कितनी तारीफ करें कितना बेकार बनाया,  
किसी को झूठ बोलना सिखाया तो किसी के फिरौती माँगने के काम आया,  
मेरे उदाहरण तो शायद कम पड़ेगें  
आपको क्या कुछ समझ आया ?  
मेरा ये विचार कर न दें आपको तार-तार  
इसलिए नहीं लिखने का मन बनाया  
ओहों ये क्या हुआ.....  
मैंने तो बातों ही बातों में सब लिख डाला ।

बीना कुमारी

PA to GGM/O&M

रेलटेल कॉर्पोरेशन ऑफ इंडिया लि.

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## अंधेर नगरी चौपट राजा

खौलते सूरज से तपती धरती में  
उनको छांव मिली, मैं धूप में जलता रहा।  
लबालब जमीन को वे देखते रहे उड़न खटोलों से,  
उन्होंने वाववाही बटोरी, मैं नीचे से उन्हें ताकता रहा।  
वे अंगूठा छाप अपने संबधियों से भरते रहे सरकारी पदों को,  
मैं डिग्रियां लेकर भटकता रहा।  
गांव में लगा मंच, वे जब आए लाल बत्तियों में बैठकर,  
तेवर उनके देखकर, इरादे उनके जानकर,  
मेरा सुलगता दीपक जल उठा।  
परंतु आज कई वर्ष बीत गये,  
न विकास आया न वे ही आए,  
वे पार्टियां बनाते गये, मैं टी.वी. पर उनको देखता रहा।  
चुप बैठे रहते हैं वे संसद में,  
जब बारी आयी तो जूता उठा दिया।  
जुलूस निकलते रहे विरोध में, लोग चिल्लाते रहे,  
मोमबत्तियां जलती रहीं, मैं पिघलता रहा,  
सबकुछ भाड़ में झोंक कर,  
वे चादर ओढ़, मखमली गद्दों पर सोते रहे।  
बैठकें चलती रही, रिपोर्टें बनती रहीं,  
साधनों के अभाव में, गरीबी की मार में,  
मैं आकड़ों के तले दबता रहा।  
कुछ कसर बाकी थी अभी भी शायद,  
फिर सबको बेचने का फैसला लिया गया।  
वे तौले गये लाखों-करोड़ों में, और मुझे 32 रुपये में तौला गया।

मोहन प्रसाद कान्ती  
PA to CVO  
रेलटेल कॉर्पोरेशन ऑफ इंडिया लि.