



VIGEYE VANI

Monthly Newsletter of Central Vigilance Commission

JUNE 2011

Speaking recently at a day-long National Seminar on Black Money in New Delhi, Shri R. Sri Kumar, Vigilance Commissioner, CVC, underlined the perils of black money. Black money resulted not only in the formation of a parallel economy, but also affected the process of governance, undermining democracy. In order for institutions to function effectively, what was needed was transparency, technology, efficiency, empowerment and mutual cooperation. In this context Shri R. Sri Kumar also explained the procedure for filing a complaint on corruption through Operation Vigeeye launched by the Central Vigilance Commission, with the objective of empowering citizens to report corruption.



*Shri R. Sri Kumar, Vigilance Commissioner,
Central Vigilance Commission*



*Shri Pratyush Sinha, ex-CVC speaking at an interactive seminar for Independent
External Monitors in April, 2011*

From the Editor's Desk



- In this, the third issue of our Newsletter, Vigeye Vani, we have focused on a couple of case studies which show how easy it is to commit a Bank fraud and how delay in finalizing Vigilance cases can help the guilty in evading punitive action. In its continuous efforts to devise ways to reduce corruption, the Commission has recently initiated the process of Technical Vigilance Audit which is basically a tool to detect serious malpractice in the procurement operation of high value contracts of the Government and to suggest remedial/corrective action in this regard. The Commission is always appreciative of the initiatives of CVOs, which enhance vigilance awareness in their work-place. It is proposed to highlight such efforts of CVOs in our Newsletter every month.
- The issue of delay in completion of Departmental proceedings is of major concern as it vitiates the principles of natural justice, works against institutional incentives built to fight corruption and has also been viewed adversely by the Courts. Delay may cause undue demoralization of an innocent employee or it may enable the guilty to escape punishment for longer periods of time. In the former, it is not fair to the official concerned and in the latter it provides perverse incentive to the corrupt. There are any number of instances where the Courts have quashed disciplinary proceedings on account of inordinate delay. The Commission has been emphasizing all along that delay can be avoided by appointing the Inquiry Officer and Presenting Officer immediately on denial of charges by the Charged Officer, by making available legible certified photocopies of documents in case the originals are seized by CBI/ Court, by ensuring that charge sheets are drafted meticulously and reflect the lapses clearly, by making available the listed documents expeditiously during Inquiry etc. Also, constant review of all pending cases by the CVO and Disciplinary Authority is absolutely vital.

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Technical Vigilance Audit

Commission's initiative to curb corruption in public procurement

Smt. Padmaja Varma,
Ex.CTE/CVC/Technical Vigilance Auditor

1. Public procurement is perceived as one of the many areas, prone to corruption. At the tendering stage itself, work is awarded to a contractor on an out-of-turn basis. Unqualified contractors are shortlisted and specifications and conditions are relaxed during negotiations. At the stage of contract performance, officials give undue financial benefit to the contractor by agreeing to deviations in high-rated items, and by accepting sub standard work.
2. The Chief Technical Examiner's Organization of the Commission, mandated to carry out intensive examination of procurement in various organizations of the Government conducts examination in respect of around 200 such contracts in a year. However, in value terms, this represents a meager percentage of the total Government procurement. The Commission is constrained by the limited number of inspecting officers available and also by the skills required to do justice to the total procurement operation of the Government.
3. The CTEO, even though covering only a small percentage of contracts has been reporting a large number of deficiencies in the tendering process with several crores of rupees of overpayment made to contractors. Observing this, the Vigilance Advisory Council set up by the Commission suggested that contracts of large value should be increasingly checked, since there was a tendency on the part of organizations to flout norms, sometimes by design or otherwise. Some organizations even do not have a policy of procurement in place.
4. Keeping the above in view, the Commission recently initiated the concept of Technical Vigilance Audit in respect of procurement operations of major Govt. departments, PSUs and Banks by engaging external experts, with the following objective :-
 - to assess systemic deficiencies in policy and practice, to suggest improvement and monitor the same.
 - to identify serious omissions and malpractices involving undue gain to private parties and corresponding loss to the public exchequer.
 - to assess the quality of Project Manager in the organization and recommend improvement.
5. The Commission held a number of meetings with Secretaries and CMDs of select Ministries/ PSUs. There was a general consensus that the concept should be taken forward. It was suggested that a Committee of senior officers of select central govt .organizations should submit names of auditors to the Commission. A Screening Committee has been set up for forming a panel out of names recommended by the Committee of senior officers. A Manual for Technical Vigilance Audit has been prepared by the Commission and circulated.
6. The concept of Technical Vigilance Audit is in the nascent stage of implementation. Six contracts have been audited so far. The reports have brought out major deficiencies in tendering, large amounts of overpayment and also systemic deficiencies. The findings in the Technical Audit report would be addressed by the concerned CVO, for rectification.

Anatomy of a Bank Fraud

R. Ravichandran, Advisor, CVC

People keep their money in Banks, in the hope that it is safe to do so. However, the trust that the Bank staff repose in their colleagues, sometimes vitiates the trust of the general public in the Banking system.

1. Genesis of the Case

Mr.X was working as an Assistant Manager in the forex department of a Branch. Fraudulent transactions were found to have been made in his user ID in the computer system and passed in the user ID of the Chief Manager of the Branch. When the Chief Manager was questioned about the transactions, he stated that Mr.X had on many occasions used his computer terminal to pass transactions and that he had allowed him to do so since he trusted him and thought he was passing genuine transactions.

2. Tools used in the investigation of the fraud

1. Transaction audit, including computer audit trail
2. Interrogation of delinquent officer and other staff members
3. Verification of other Bank accounts

3. Facts revealed during investigation

Initially Mr. X committed fraud involving a small amount by debiting to various inoperative deposit accounts, for investing in the stock market. Later, he shifted the amount of fraud to 'clearing general ledger head' and then to "forex general ledger heads", when he was posted in the forex section. As his greed grew, he started making fraudulent debits of higher amounts to general ledger heads.

For siphoning off the amount from the Bank, he opened three fictitious current accounts as if they were accounts of some sole proprietary firms. He admitted that he opened these accounts with his user ID and he himself authorized these accounts by using the computer terminal of the Chief Manager. The fraudulently acquired amount was first credited to these accounts and then transferred to accounts of his accomplices with other Banks through RTGS(Real Time Gross Settlement) online. He admitted that he had not prepared any voucher or cheque for any of the fraudulent transactions done by him, including the RTGS transactions and that due to laxity in the Branch in checking voucher reports, nobody questioned him at any point.

While sending RTGS transactions, Mr.X also ensured that the amount was within Rs.10 lakhs, and hence it was not spotted in the Anti Money Laundering radar.

The fact that the user ID of Mr.X appeared in all the transactions as maker, irrespective of the persons in whose user ID the transactions were passed, was proof enough to seal his guilt in the fraudulent transactions. As on the date of interrogation, the entire money defrauded by him had been brought back to the Bank.

4. Lessons learnt

The case brought to fore the laxity in control in a computerized setup, as well as the lacunae that existed in the system. Above all it was the human factor i.e. indifference shown by the Chief Manager in following the rules. He allowed his officer to use his password and Mr. X by taking advantage of the gullible nature of his boss made quick money. Its said that the honest need no props and the corrupt need no accomplices.

How delay benefitted the guilty

Case No. I

Shyam Kapoor, Director, CVC

1. During investigation, CBI, in a particular case found officers responsible for the down-classification of a cosmetic product i.e. aftershave lotion to a medicinal drug for the purpose of levy of Excise duty. A company manufactured aftershave lotion as a "toilet preparation containing alcohol" and was paying excise duty at 100% valorem. The firm had been paying excise duty at this rate from 1968 to 1985. In 1985 the State Excise Department wrongly approved reclassification of the product as a medicinal preparation (based on an application from the company) which qualified for only a marginal rate of excise duty to be paid.

2. Another proposal of the company was also approved in 1989 of 'aftershave lotion and cologne' at a lower duty rate per litre of pure alcohol content, which was the rate of duty for a medicinal product and which enabled the Company to pay excise duty at a reduced rate. In the said cases, substantial loss of revenue was calculated due to the reclassification. Responsibility was fixed and departmental proceedings were initiated. However, though the said Excise Order was passed in 1985/89, the Departmental Enquiry was taken up after 19 years of passing the order. The Hon'ble CAT quashed the disciplinary proceedings along with consequential benefits, due to the major flaw of delay in initiating Departmental proceedings.

3. The Supreme Court has in a number of cases emphasized the need for finalising vigilance cases within a reasonable time. Non-availability of documents listed in the Annexure to the Charge Memorandum was identified as one of the major reasons for delay in this case. The accused went scot-free because of the inordinate delay in finalizing the proceedings.

Case No. II

Dal Chand, Under Secy., CVC

1. The CBI, after investigation of a case relating to purchase of 325 km PVC insulated GS Drop Wire, observed that the purchase had been made @ Rs.6,999/- per km as against the Department's approved rate of Rs.1,578/- per km. The Commission in agreement with the CBI and Department advised initiation of major penalty proceedings on 20.8.2001 against a Chief Accounts Officer (CAO) for his failure in giving appropriate financial guidance to the Area Director, such as the financial limit of the Area Director, procedural deficiencies etc.

2. The Department submitted the draft charge sheet to the competent authority on 15.9.03 not knowing that the CAO had already superannuated from service on 30.4.03.

3. Thereafter, approval of the competent authority was taken for issue of a charge sheet to the retired CAO, under Rule 9 of CCS (Pension) Rules. However, action under Pension Rules at that stage was not possible, since the incident had happened in 1992 and as a result of which, the case had become time-barred.

4. The Department closed the case in February 2004 with the approval of the competent authority. In April 2010, i.e. after a period of more than nine years from the date of the Commission's advice, the Department requested the Commission for closure of the case for the above said reasons. The abnormal delay on the part of the Department allowed the officer to go scot-free without any action being taken against him.

Initiatives taken by a CVO

Arun Singhal ,
CVO, Gas Authority Of India Ltd.

1. GAIL (India) Limited under the aegis of the Central Vigilance Commission organized a day long Interactive Seminar for Independent External Monitors (IEMs) on April 19, 2011, at GAIL Training institute, Noida. Shri. Pratyush Sinha, former CVC was the chief guest. The seminar was organised to provide a platform for sharing and updating technical knowledge on procurement matters considering the vital role of IEMs in the Integrity Pact adopted by various Public sector organizations.

More than 50 IEMs from all parts of the country participated in the seminar. Deliberations revealed that a very effective role was being played by IEMs in increasing transparency and instilling confidence in procurement matters. While the consensus was that a positive and constructive interaction was being witnessed in most CPSEs, some participants felt that there was a need to further clarify the role of IEMs.



Shri Pratyush Sinha, Ex. CVC (centre) and other dignitaries

2. With regard to simplifying the procedure for granting vigilance clearance, this should be made online as far as possible. Vigilance clearance for probation clearance has been granted in respect of 755 employees (both Executives and Non-Executives) during the current year. Emphasis is being given to make the other types of vigilance clearance also paperless.

3. A report of the File Movement System is being generated on a daily basis. This new initiative has resulted in the sensitization of employees to the unnecessary marking of files which leads to delays in the decision making process. Sixty two such files could be closed in the File Movement System in April 2011 after being captured in the said alert and subsequent follow-up by the Vigilance Deptt.

CVC Scheme for instituting Satarkta Samman Awards

Prabhat Kumar, Director,CVC

1. **Background :**

The Central Vigilance Commission, the statutory body for Vigilance Administration has been mandated to spearhead Anti-Corruption activities in the country. The Chief Vigilance Officers(CVOs) play a pivotal role in carrying forward the agenda of the Commission in this regard. In order to recognise their efforts the Satarkta Samman Award is being instituted by the CVC.

2. **Nature of Satarkta Samman Award:**

The Award consists of a memento and a citation. The names of the winners of the Award would be prominently displayed on the Commission's website and would be given during the 'Vigilance awareness Week' which is celebrated every year. The award winning CVO will be make a presentation in the Commission in the presence of other CVOs.

3. **Category of the Awards:**

The award for the CVOs will be in the following categories:

- Innovativeness in Vigilance leading to reduction of corruption
- Leveraging of Technology as an anti-corruption measure
- Initiatives taken in the detecting of vigilance cases
- Pendency reduction in the cases relating to Commission's advice

4. **Evaluation Criteria:**

The metrics/parameters for evaluating the CVO's performance will be as follows:

- Leadership and Innovation (100 credits)
- Information / Data Analysis (100 credits)
- Strategic Planning (100 credits)
- Process Improvement (100 credits)
- Human Resource Development (100 credits)
- Operational Results (200 credits)
- Stakeholder Satisfaction (300 credits). This involves devising methods to improve interaction and response time between 3 important stakeholders namely, CVOs, CBI and the public, with CVC, on a continual basis.

5. **Selection process:**

The CVO will need to send his/her nomination either himself/herself or through his/her CMD/HOD and should consist of professional details, the category of the award for which the nomination is to be considered as indicated in para 3 above, along with documents to sustain his/her claim. Nominations will be scrutinised and finalized by a panel of officers from the Commission headed by Secretary, CVC.



Participants at the IEMs interactive seminar in April ,2011



- ❖ *“The human voice can never reach the distance that is covered by the still small voice of conscience.”*
- ❖ *“Be the change you want to see in the world.”*

--Mahatma Gandhi

FEEDBACK CORNER

Some responses to Vigeye Vani are reproduced below:-

1. The first monthly Newsletter of CVC has come out nicely – Y.M. Trivedi, Registrar, Physical Research Laboratory
2. The CVC Newsletter is very informative and educative – Shiv Raj Singh, CVO, Hindustan Steel Works Construction Limited
3. We thank the Commission for its new initiative of bringing out its monthly Newsletter Vigeye Vani – Sajeev Krishnan GM & CVO, Corporation Bank
4. Publication of Vigeye Vani by the CVC is a timely intervention. I hope the Newsletter brings about change in the perception of and about vigilance, by educating all concerned. May like to bring out informative articles which will pave the way for pro-active vigilance among all organisations –Dr. K.R. S. Krishnan, CVO, HLL Lifecare Limited
5. The CVC Newsletter has come out nicely and is informative – Bhanu Raman, GM & CVO, Canara Bank

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