

No.C.31011/3/2010-C.V.O  
GOVERNMENT OF PUDUCHERRY  
CONFIDENTIAL AND CABINET DEPARTMENT  
CHIEF VIGILANCE OFFICE

Puducherry, the



**I.D.NOTE**

Sub: Annual Report of the Central Vigilance Commission for the year 2008.

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In its 45<sup>th</sup> Annual Report relating to the Calendar year 2008, the Central Vigilance Commission has stated that it had evolved and effectively implemented preventive techniques of vigilance administration which includes transparency, fair-play, objectivity and timely response in dealing with matters relating to public administration. The Commission on its part had taken every possible step to ensure a prompt, responsive, accountable transparent and corruption free system of Government by ensuring a qualitative decision-making process. In this regard, the Central Vigilance Commission had taken many initiatives, some of which are given below:-

- (i) Reporting of fraud cases to Police/State CIDs/Economic Offences with of State Police by Public Sector Banks.
- (ii) Steps to be taken to streamline the system of acceptance of bank guarantees from contractors/suppliers
- (iii) Leveraging of Technology of improving Vigilance Administration
- (iv) Adoption of Integrity Pact (IP)
- (v) Training on IT Procurement
- (vi) Systemic improvement for better Vigilance Administration in Government Organisation

The details of initiatives taken by the Commission on the above measures and published in its Annual Report for the year 2008 in Chapter-2 (Observations and Initiatives) are communicated herewith.

2. The Principal Secretaries/Secretaries/Special Secretaries to Government/Vigilance Officers are requested to adopt the above said preventive techniques in the departments under their control wherever they are considered appropriate/necessary.

(By Order)

*[Handwritten signature]*  
2020

(G.THEVA NEETHI DHAS)  
SPECIAL SECRETARY TO GOVERNMENT  
(VIGILANCE)

Enclosure: As above.

To

All Principal Secretaries/ Secretaries/ Special Secretaries to Govt. / Vigilance officers  
Puducherry.

Copy to:

1. All Heads of Departments
2. The Collector, (Puducherry/Karaikal)
3. The Regional Administrator (Mahe/Yanam)
4. Director of Accounts and Treasuries, Puducherry/Ty. Director of Accounts and Treasuries, Karaikal/Mahe/Yanam.
5. Superintendent of Police, Vigilance and Anti-Corruption Police Unit, Puducherry.

• The Director, Economics & Statistics.  
Department, Puducherry.

**(i) Reporting of fraud cases to Police/State CIDs/Economic Offences with of State Police by Public Sector banks**

It has been brought to the notice to the Commission that Banks are facing practical difficulties in filing cases with the local police where the amount involved is relatively small, as no minimum amount has been specified above which cases should be referred to the local police.

Taking in view the seriousness of the issue, the Commission issued circular which provides that cases of financial frauds of the value of Rs. 1,00,000/- and above, which involve outsiders (private parties) & bank state, should be reported by the Regional Head of the bank concerned to a senior officer of the State CID/Economic Offences Wing of the State concerned. For cases of financial frauds below the value of Rs.1,00,000/- but above Rs.10,000/-, the cases should be reported to the local police station by the bank branch concerned. Further, all fraud cases of value below Rs. 10,000/-, involving bank officials, should be referred to the Regional Head of the bank, who would scrutinize each case and then direct the bank branch concerned on whether it should be reported to the local police station for further legal action.

**(ii) Steps to be taken to streamline the system of acceptance of bank guarantees from contractors/suppliers**

A number of instances had come to the notice of the Commission where forged/fake bank guarantees (BGs) have been submitted by the contractors/suppliers. Organizations concerned have also not made any effective attempt to verify the genuineness /authenticity of these BGs at the time of submission. Therefore, the Commission has advised all the organizations to streamline the system of acceptance of BGs from contractors/suppliers to eliminate the possibility of any forged/fake Bank Guarantees and evolve the procedure for acceptance of BGs which should be compatible with the guidelines of banks/Reserve Bank of India. The following steps were suggested to the CVO to frame their own guidelines to ensure that BGs are genuine and encashable:

- i) Copy of proper prescribed format on which BGs are accepted from the contractors should be enclosed with the tender document and it should be verified verbatim on receipt with original document.
- ii) It should be insisted upon the contractors, suppliers, etc that BGs to be submitted by them should be sent to the organization directly by the issuing bank under registered post (A.D.)
- iii) In exceptional cases, where the BGs are received through the contractors, suppliers, etc, the issuing branch should be requested to immediately send by registered post (A.D.) an unstamped duplicate copy of the guarantee directly to the organization with a covering letter to compare with the original BGs and confirm that it is an order.

- iv) As an additional measure of abundant precaution, all BGs should be independently verified by the organizations.
- v) In the organization/unit, one officer should be specifically designated with responsibility for verification, timely renewal and timely encashment of BGs.

### **(iii) Leveraging of technology for improving vigilance administration**

It is experienced that lack of transparency brings about an opportunity of malpractices in operations leading to corruption. Technology should be utilized to detect malpractices, tampering in operations, and this in turn should synergize the net productivity with vigilance and operation. Electronics network makes it easier to inform public about various actions of the people involved in the process of governance, besides providing instant feedback and guidance to the governance system about people's reaction to the same.

The Commission has been emphasizing on bringing about transparency in the functioning of the government organizations by making extensive use of technology available, which provides for minimum personal contacts of the public with the govt. functionaries and thus, minimizes the scope for indulging in irregular practices for undue financial and other gains. The Commission with a view to tackle such irregularities and to bring about systemic improvement directed all organizations under its purview to make extensive use of the web-sites both as a tool for communication with the stakeholders and for curbing corruption.

### **(iv) Adoption of Integrity Pact (IP)**

One of the latest initiatives of the Commission to eradicate corruption in procurement activity is introduction of the Integrity Pact in large valued contracts in all govt. organizations. The adoption of this pact is voluntary on the part of the organization concerned. The Pact envisages a pre-bid agreement between the buyers and the sellers to avoid all forms of corruption influenced by any person from the bidding stage to the last payment in the contract. The Integrity Pact envisages appointment of an Independent External Monitor of repute to oversee the implementation of the pact and to examine any complaint relating to violation of the pact.

The Pact essentially envisages an agreement between the prospective vendors/bidders and the buyers, committing the persons/officials of both the parties not to exercise any corrupt influence on any aspect of the contract. Only those vendors/ bidders who have entered into such an 'Integrity Pact' with the buyer would be competent to participate in the bidding. In other words, entering into this Pact would be a preliminary qualification. The Integrity Pact in respect of a particular contract would be effective from the stage of invitation of bids till the complete execution of the contract.

It is observed that many organizations evinced interest in the adoption of Integrity Pact. Adoption of a new system is bound to raise queries and suggestion on its operational aspect. Taking into account the nature of limited procurement activities, the Commission has exempted PSBs, insurance Companies and Financial Institutions from adoption of Integrity Pact. Some of the general nature of queries clarified by the Commission are given below:

- i) Adoption of Integrity Pact in an organization is voluntary, but once adopted, it should cover all tenders/procurements above a specified threshold value, which should be set by the organization itself.
- ii) IP should cover all phases of the contract i.e., from the stage of Notice inviting Tender (NIT)/pre-bid stage to the stage of last payment or still later stage, covered through warranty, guarantee, etc
- iii) Independent External Monitors (IEMs) are vital to the implementation of IP and at least one IEM should be invariably cited in the NIT. However, for ensuring the desired transparency and objectivity in dealing with the complaints arising out of any tendering process, the matter should be referred to the full panel of IEMs, who would examine the records, conduct the investigation and submit a report to the management, giving joint findings.
- iv) A maximum of three IEMs would be appointed in Navratna PSUs and upto two IEMs in other Public Sector Undertakings. The organizations may, however, forward a panel of more than three names for the Commission's approval. For the PSUs having a large territorial spread or those having several subsidiaries, the Commission may consider approving a large number of IEMs, but not more than two IEMs would be assigned to any one subsidiary.
- v) Remuneration payable to the IEMs may be similar to the Independent Directors in the Organisation.

#### (v) Training on IT Procurement

Instances have come to the notice of the Commission indicating that a number of bank officials lack basic skills in computer operations and knowledge of the banking software. There is also a tendency on the part of senior officers to disclose their password to junior officials/staff for operating the system on their behalf, citing reasons, including work pressure and ignorance as regards nuances in technology which is not a good practice specially in Banking Sectors. Considering the seriousness of the issues, the Commission issued instruction on an urgent need to impart proper training to such officers and staff at various levels particularly those working in the branches so that they could update knowledge of the computer system for day-to-day operations and are not dependent on their colleagues. CVOs, were also advised to arrange such programmes for training on an on going basis for the benefit of bank officials.

5/2/2017

**(vi) Systemic improvement for better Vigilance Administration in Govt. Organization**

The Commission, in its endeavour to improve Vigilance Administration in Government has been emphasizing on taking initiatives on system improvement as a part of preventive vigilance. It is observed that many a time the officials take wrongful advantage of either weakness/ambiguity in the systems or lack of systems in the organization. Accordingly CVO were advised to conduct an exercise to identify the weakness in the existing systems and policies in their organizations and the lapses that have arisen or are likely to arise due to the systemic flaws noticed. It also emphasized the need to identify the steps required to strengthen/improve the systems and take up the matter with the management of the organization on an ongoing basis, to ensure implementation of the systemic improvement identified so that there should no uncertainty or room for manipulation in any procedure/systems. The Commission has also identified "Recruitment" is one of the areas where probability of manipulation always exists. At various occasions, the Commission emphasized on need to streamline the procedure in a transparent manner.

The Commission, as part of improving vigilance administration in Government Departments/Organizations, held a number of meetings with the Chief Executives and CVOs. The Commission, during the meeting mainly discussed the following common areas of concern:

- i) One of the important area of concern where the Commission found that efforts were not being taken seriously by the Organizations was on implementation of Commission's guidelines on leveraging of technology for improving vigilance administration. The Commission advised the CVOs forcefully to ensure implementation of its guidelines on the subject in letter and spirit.
- ii) The Commission had been emphasizing on the need for expeditious completion of disciplinary action, particularly against officials likely to superannuate soon. A delay in taking timely action against the SPS/CO often serves to his advantage. The Commission again directed the organizations to keep in mind the date of superannuation of the delinquent official while taking disciplinary action so that appropriate action was possible against the official and to send right signals with the organization.
- iii) The Commission has been emphasizing on strengthening of vigilance set up in all departments & organizations. Directions have been given to the Ministries and organizations to revamp vigilance structure and impart skills in vigilance administration to the employees working in vigilance. A number of organizations have sought support and guidance from the Commission in this respect and the Commission has been providing guest faculty and other support whenever possible.
- iv) The Commission has made it mandatory for the CVO to have 'structured meetings' with Secretary/CEO of the organization on a regular basis and to ensure that minutes of these meetings are kept on record.

