

## Message from Chairman & Managing Director



I am happy to note that Vigilance Department of STC is bringing out e-Newsletter 'NAI DISHA', with the main purpose of creating awareness about rules and procedures prescribed by the Company and also the instructions issued by Government of India and Central Vigilance Commission.

I have found the content very informative and presentation very interesting. I am confident that this newsletter will act as a handy refresher for all employees.

I commend the Vigilance Department for their initiative in bringing out this e-newsletter.

Date: 11<sup>th</sup> Nov.2016

(Khaleel Rahim )

*Coming together is a beginning;  
Keeping together is progress;  
Working together is success.*  
—HENRY FORD

## Preventive Vigilance is the Need of Hour: Chief Vigilance Officer

The observance of Vigilance Awareness Week – 2016 began with pledge by the employees at corporate office and field offices on 2<sup>nd</sup> November, 2016. Rajiv Chopra, Director (Marketing) administered the pledge to the employees.



Employees Taking Pledge

Speaking on the occasion, Arvind Kumar Kadyan, CVO said that the theme of this year VAW 'Public Participation in Promoting Integrity and Eradication of Corruption' is very apt for the Company. He emphasized that all stakeholders of the Company need to adopt collective approach so that STC could again become strong and vibrant Company and achieve new heights.



The CVO emphasized that there is a need for exchange of ideas within the Company and free flow of information between different departments and Vigilance. He said that Preventive Vigilance is the need of hour and all of us shall work for it.

## Rules and Regulations have to be followed in Letter and Spirit: Director ( P )

A Training program regarding 'Overview of Vigilance Administration' was organized at corporate office for young executives on 3<sup>rd</sup> November 2016. The training program was attended by 30 executives.

Speaking on the occasion, S.K. Sharma, Director (Personnel) said that this programme is very relevant for young executives since most of the participants are either freshers coming from the colleges directly or from private sectors. In a Public Sector Enterprise like STC, the work culture is different from private sector. In PSE the money involved is of Public. We are the trustees of Public money and are required to spend it judiciously. We are answerable to the Govt. for its use.

The Director (Personnel) said that it is not fair to punish any employee for the mistake which he has done ignorantly. First we have to train him about what is to be done.

For utilization of Public money, the Government has framed certain Policies, Rules and Regulations and guidelines which we have to follow in letter and spirit. While entering into any contract, MOU etc., we should ensure that proper clauses are incorporated and there are no loopholes in the agreement, which could be exploited by the customers in case of

any dispute. He urged the participants to avail this opportunity to learn and clear their doubts, if any.

Geeta Ram, Retd. Joint Secretary took sessions regarding 'Overview of Vigilance Administration'.



Young Executives engrossed in Training

## Ensure Value for Money is achieved

Every officer incurring or authorizing expenditure from public moneys should be guided by high **standards of financial propriety**. Every officer should also enforce financial order and strict economy and see that all relevant financial rules and regulations are observed, by his own office and by subordinate disbursing officers. Among the principles on which emphasis is generally laid are the following:

(i) Every officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

(ii) The expenditure should not be prima facie more than the occasion demands.

(iii) No authority should exercise its powers of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage.

(iv) Expenditure from public moneys should not be incurred for the benefit of a particular person or a section of the people, unless - (a) a claim for the amount could be enforced in a Court of Law, or (b) the expenditure is in pursuance of a recognized policy or custom.

(v) The amount of allowances granted to meet expenditure of a particular type should be so regulated that the allowances are not on the whole a source of profit to the recipients.

### What is Vigilance Angle

As per Para 1.6.1 of Vigilance Manual, Vol-I, 2005 edition, following acts attract Vigilance Angle -

- ✓ *Demanding and/or accepting gratification other than legal remuneration*
- ✓ *Obtaining valuable thing from a person with whom likely to have official dealing*
- ✓ *Obtaining for himself or for any other person any valuable thing or pecuniary advantage by corrupt or illegal means*
- ✓ *Possession of disproportionate assets*
- ✓ *Cases of misappropriation, forgery or cheating or other similar criminal offences.*

In addition, some other irregularities which could also have vigilance angle are:

- *Gross or willful negligence*
- *Recklessness in decision making*
- *Blatant violations of systems and procedures*
- *Exercise of discretion in excess, where no public interest is evident*
- *Failure to keep the controlling authority / superiors informed in time*

### Case Study & Learning Points

#### CASE: NON-ADHERENCE TO PROCEDURE RESULTED IN LOSS TO THE COMPANY

##### Background

- During 2006, one of the branch of STC entered into an agreement with the Business Associate for undertaking export of agricultural commodities viz. turmeric fingers, maize, sesame seeds, peanuts, DOC, sugar etc., against STC financing upto 70% on domestic purchase for onward exports against certificate of receipt issued by STC's nominated CHA.
- The payment terms were on DA/DP basis and/or against LC from foreign buyers.
- The export contracts were finalised between foreign buyers and the Associate directly and the same were later submitted to STC for acceptance.
- Party arranged irrevocable L/C from the foreign buyer and approached STC with a request to extend finance equivalent to 70% of L/C value for procurement of the goods. Export documents were negotiated by STC and after adjusting financed amount (70% of L/C) interest & other dues from export proceeds, the balance amount paid to the associate.
- As regards exports on DP/DA basis, the branch extended financing @ 70% of contract value after obtaining 10% advance payment from foreign buyer towards performance for procurement /shipment of goods.

- Against the proposed exports, the Branch extended finance to the tune of 70% of the CFR price instead of locally procured price of the cargo thereby releasing of excess funds on account of Freight in violation agreed terms.
- For instance, an amount of Rs.3,79,56,324 was released as 70% pre-shipment finance for 4000 MTs Indian Yellow Maize @ USD 309 PMT CFR Port Dalian, China under LC dated 25.07.2011 of value USD 12,36,000. In terms of Agreement and on the basis of Invoice of local supplier for supply of 4000 MT Indian Yellow Maize @ Rs.13,000 PMT, 70% of procurement price works out to Rs.3,64,00,000 ([Rs 13000 x 4000] x70%), thereby releasing Rs.15,56,324 in excess.
- An amount of Rs.59 crore approx. was outstanding as on October, 2010 against the Associate on account of unshipped/not exported stocks against previous contracts/LCs. Subsequently, (October, 2010) the Branch again extended financial support to the Associate for export of maize without approval of competent authority.
- Against stock of 88275.800 MTs Indian Yellow Maize financed post 2010, a stock of 28462.225 MTs remained unshipped whereas a quantity of 22500 MTs was stored in various Port /private godowns in Kolkata (3 locations), Kakinada (2 locations), Nasik (2 locations) and in Navi Mumbai leaving a shortfall of 5950.915 MTs.
- **Physical Verification (PV) of Indian Yellow Maize stocks procured by the Associate**

**for export** and kept in above godowns, conducted by the Branch in March/April 2013 revealed that **no stock was available in the godowns** as either the stocks were cleared in some godowns way back in 2011-12 or there were no such godowns exist. Whereas, SGS report (unsigned) submitted by the Associate while seeking pre-shipment finance indicated arrival of such stocks in those non-existing godowns.

- **STC could not recover the dues of Rs.22.03 crore from the Associate.**
- STC's claim for loss of Rs.26.43 crore towards theft of stocks of 22508 MTs lying at Kolkata, Kakinada, Nasik and Navi Mumbai lodged with the Insurer, M/s NIA under three Policies for sum assured Rs 30 crore was repudiated by M/s NIA stating that **cheque towards premium of Rs.1,73,597 dated 28.01.2013 paid by the Associate against the Policy Cover was dishonoured by the Bank** due to insufficient funds in party's account and also the claim for theft is not covered under the purview of the Fire Floater Policy.

*A little more persistence,  
a little more effort, and what seemed  
hopeless Failure may turn to glorious success.*

**-Elbert Hubbard**

Observations

- Branch failed to review the performance/status of the business associate about financially soundness and enjoys creditworthiness in the market before extending further credit/finance facility.
- Did not obtain proper/complete securities/documents from the business associate in compliance to the Agreement entered into with them.
- The MOUs, Corporate Guarantee, Personal Guarantees and other documents obtained from the associate were incomplete and not got vetted by the Finance and Legal Division before acceptance; as a result, STC could not invoke the available securities Corporate/Personal Guarantees against defaulting Associate & their Directors to recover the outstanding dues.
- Failed to supervise & monitor the execution of trade transactions in compliance with agreed terms of the Agreement entered into with the Associate/ laid down STC's trading guidelines thereby extended 70% pre-shipment finance on the **Export Order price instead of domestic purchase price**, in violation of COM approval/agreed terms.
- Failed to ensure proper pledging of the goods procured for export utilising STC's funds and **allowed storage of goods in the godowns /sheds owned/leased/arranged by the Associate under its control/custody, in violation of the trade guidelines.**
- Allowed the appointment of CHA/Surveyor and settlement of their

clearing/handling/inspection bills directly by Business Associate which resulted in unauthorized/illegal removal of stocks by the Associate.

- Did not ensure PV of stocks at the time of each receipt/issue and at regular intervals, as required for confirming the existence and proper upkeep of stocks in the godown.
- Failed to ensure proper Insurance Policy covering all risks including Burglary etc., for the stocks financed by and pledged to STC and relied on the Insurance Policy cover taken by the Associate.
- Failed to invoke the primary/collateral securities in the event of default by the Associate in liquidating the stocks/payment of the outstanding dues.
- On delay in lifting of stocks/payment became overdue, **did not initiate action for recovering dues by invoking risk sale**, selling the material at the risk & cost of the Associate.
- Exceeded DOP while extending pre-shipment finance to the Associate.

Learnings

- The Branch should have conducted proper diligence to appraise the creditworthiness, soundness, market reputation, etc. of the party by considering Accounts for the last three years, export/import performance, market reputation, etc.
- Appropriate securities viz. Corporate Guarantee, Pledge Deed, Personal Guarantee, etc should have been taken as

per prescribed format dully approved/vetted by Finance/Legal

- **Post dated cheques should be ondated**, along with appropriate letter from the associate.
- The approvals in the matter of trade transactions given by COM should be strictly adhered to.
- **Goods to be stored in CWC/SWC owned godowns** or other private/associate's godowns under CMA of CWC/SWC.
- The **surveyors should be appointed by STC** and their fee/charges, etc to be paid by STC to have control on them and command their loyalty.
- **P.V. of stocks to be conducted on a regular basis** by representative of Marketing/Finance and along with surveyor to verify proper receipts/ Issue/Balance stocks and reconciliation of stocks.
- **Insurance Policy guidelines given in various circulars to be followed.** The Policies to be preferably taken by STC in its name for 110% value of the goods covering all prescribed clauses, including theft, fire clause.
- The encashment of securities, **invocation of risk sale to be done immediately on default** with due approval of competent authority.
- Each manager is given financial/administrative powers under DOP. These Powers should not be exceeded without approval from the authority prescribing these powers.

### Important Circulars

#### **I – Misuse of user IDs and Passwords in organizations – Preventive Vigilance Measures (CVC Circular no. 09/07/2015 dated 30.07.2015)**

The Commission has of late observed that in many cases relating to Banking Sector, Insurance Sector, CPSEs and even in other organizations functioning in a computerized environment, frauds are being perpetrated on account of the officer(s) sharing their user ID and password with unauthorized persons and/or not disabling them on transfer/retirement/suspension/long leave of officers; not frequently changing the passwords, etc. The Commission is of the view that periodic change of passwords by officers would be an important preventive vigilance measure to address the issues. Mail IDs, user IDs, etc. for accessing the secure systems should be disabled once an officer superannuates / placed under suspension / not required to perform any function on account of proceedings on long leave, training, deputation, transfer etc. Introducing a provision in the system / software itself at a pre-decided time period (i.e., a fortnight or a month) to change password could also be one of the options for preventing misuse by unauthorized persons.

2. In addition, it also needs to be ensured by way of periodic surprise inspections / checks by next higher authority / controlling officers as to whether the user IDs and passwords are being shared by the officers with any unauthorized persons.

3. The Commission, vide circular No. 38/11/10 dated 30.11.2010, advised CVOs of all Public Sector Banks to ensure secrecy of employees' passwords and also keep on changing them frequently as that frauds being committed on account of misuse of passwords of employees may be avoided in the Public Sector Bank. CVOs of Banks were to take suitable action and regularly monitor secrecy of passwords and any instances of casual approach by any password holder was to be dealt ruthlessly by the concerned bank as the same may put huge funds at risk. It appears that the spirit of the circular is not being implemented.

4. CVOs may, therefore, bring the above preventive measures to the notice of concerned authorities in their organization and also ensure that periodic inspections / checks are conducted to ensure complete implementation.

5. CVOs are further advised to send an action report in this regard of the verification conducted by them or the supervisory officers in their organization with a month by mail to [coord1-cvc@nic.in](mailto:coord1-cvc@nic.in).

**II - Acceptance of Bank Guarantee (BG) – Reg.**  
(CVC OM. 02-07-1-CTE-30/309204 dated 4<sup>th</sup> March 2016)

Reference is invited to the Commission's Circular No. 01/01/08 dated 31.12.2007 (issued vide OM No. 02-07-1-CTE-30 dated 09.05.2006), wherein necessity for ensuring verification of genuineness of Bank Guarantee prior to its acceptance was emphasized and steps were suggested.

2 It is observed that the practice of paper based verification of BGs followed by the organization is not only time consuming causing delay in acceptance / award of works or advance related payments but also its trustworthiness cannot always be ensured due to human intervention in it.

3. In this background, organizations are advised to follow IT enabled confirmation system which is swift and secured in addition to their existing paper based confirmation system. The following methods for verification may be considered by the organizations:

(a) Getting confirmation through digitally signed secured e-mails from issuing Banks;

(b) Online verification of Company portal with user id and password followed by 2<sup>nd</sup> stage authentication system generated One Time Password (OTP) on portal for reconfirmation;

(c) E-mail confirmation followed by 2<sup>nd</sup> stage authentication by system generated SMS through registered mobile and reconfirmation through SMS to the verifying officer.

4. Keeping above in view, organizations may evolve their own procedure adopting anyone or more of the above methods for ensuring genuineness of BGs, which is compatible with the guidelines of Banks / Reserve Bank of India.

*You may never know  
what results come of your action,  
but if you do nothing  
there will be no result.*

- Mahatma Gandhi

## Article

## Encounter with a Common Man

During the weekend I decided to travel by public transport. While waiting at the DTC bus stand, I entered into a conversation with the lone person sitting next to me. Our topic of discussion was centered on the message given on one of the billboards about action being taken by the Government to tackle the menace of corruption.

“Every citizen must take active part in eradication of ‘**Bhrashtaachar**’ from the country,” I said.

He said, “I have to earn my daily bread and have no time for such things.”

I tried to explain to him that he may not be facing any problem but indirectly, it hurts all of us. “In fact, more people die due to corruption than terrorism in world, “I told him. I also mentioned, “It is a known fact that Corruption

- is unfair and harms those without power;
- results in a loss of values and morality;
- results in financial loss;
- results in loss of trust in government, justice and public services;
- results in illegal activities, encourages organized crime creates an inefficient society creates fear and insecurity.”

He said, “It is the responsibility of government to eradicate corruption.” I told him categorically, “Without the support of the common man, no government effort can succeed.” At this, he relented slightly but helplessly said what he (common man) can do.

“Common man can play very important role in promoting ethical values in society,” I told him.

“If every citizen takes a pledge that ‘I will not

pay bribe and obey the law and encourage others around me to obey rules’ then we can effectively check corruption”.

He started laughing at that and said, “I see every year on TV, public servants taking a pledge not to accept or demand bribe, has it made any difference, I wonder.”

Stung by his words, I told him, “We should not be disheartened, the change will come if every citizen and public servant looks inward. We need to give good ‘**Sanskar**’ to our children. We should be guided in our endeavours by Bapu ‘*Be the change that you wish to see in the world*’.” He nodded in agreement but said it is also applicable to Public servants.

In the meantime, another person joined us and our conversation continued. I told them how Government and organisations like CBI and CVC are working to tackle corruption and how common man can help in this endeavour. On this our new friend said, that “I wanted to report on a number of cases of corruption but I was not sure, whether any action would be taken. I could not afford to report instances of corruption and then face the heat of reporting. After all, I have a family to look after. We have seen how the officers like S.Manjunath and Satender Nath Dubey, who dared to report the cases of corruption and got killed. The common people like-Shehla Masood (Madhya Pradesh), Ajay Kumar ( Delhi) , Ankur Patil (Maharashtra), Sambhuram Bishnoi (Rajasthan), who asked for information under RTI from local Government or Gram Panchayat were harassed, attacked or got killed? I don’t want to be killed.”



I tried to explain to them that they can make use of Whistle Blower mechanism to report the cases of unethical practices. The identity/name of the person using this mechanism is kept secret.

He was not amused. His facial expression indicated that probably he lacked trust in public servants.

In the meantime, a fourth person arrived and started taking interest in the ongoing discussion. He mentioned, "Now a days in our colony so many 'Spas' have mushroomed. Some of these are even violating the land use policy notified for the area by Municipal Corporation. Many of these businesses are nothing but indulging in one of the oldest profession for which GB road is known. These shops have vitiated the environment in residential areas. The ladies feel awkward while passing through the area. The local police know it very well. I met the beat constable of the area and mentioned about the illegal activities going in the colony. The constable told me to send a complaint in writing to the Police Station. Local Authorities know about their operations, therefore, I do not think making any compliant will result in any positive action from Municipal or Police Authorities since huge money is involved. One thing is sure, the moment I will make a complaint in writing, the influential people who are running unethical business will be after my life. I cannot risk my life."

Immediately, the third person intervened and said "In our colony recently a footpath was re-laid by PWD. The contractor instead of relaying the footpath, put the new tiles on the existing footpath as a result the height of footpath has

become more than 12 " against prescribed height of 6 ". Consequently, elderly people find it difficult to use the footpath. The contractor has saved lakhs of Rupees by not preparing the base of footpath and using old Kerb stones. Most of the tiles have already come out and it is difficult to walk on foot path. This kind of substandard work cannot be done by the contractor without the connivance of officials. For such cases of corruption, one cannot make report in his own name as there is a risk of identity being revealed."

By now, the discussion had become quite intense. A senior citizen sitting on another Bench was overhearing the conversation. He also joined us and introduced himself as a retired employee of a reputed Public Sector Enterprise. He said he had seen corruption in the PSUs from very close quarters. "I have seen how employees get acquitted in departmental cases after long enquiry proceedings, even though they have caused loss of crores of rupees to the company or given undue benefit of crores to contractors by manipulating the rules. Further, even those found guilty of serious misconduct are left by authorities after imposing a token penalty of 'Censure'. Further, even if any employee is penalised by Disciplinary Authority, the acquittal can be managed at the level of Appellate Authority since at this stage consultation with any independent authority is not required. In PSUs, one can do anything and the bosses will ensure that the employee's career is not affected."

The senior citizen got so agitated while sharing his experience that he started shivering. One person had to get him a glass of water. After a while he said, "The best part is that even when an employee is found guilty of a serious

lapse a token Major Penalty can be imposed for one or two months without cumulative effect, to ensure that one gets his promotion and increment on time. This is being done to complete the rituals of departmental proceedings.”

We could see how concerned he was about the exploitation of the weakness in the vigilance administration. He said that if any person report the instances of corruption and the result is zero what is the point in reporting. He suggested that, “If authorities want Public participation in eradication of corruption why can't they act on verbal complaints / source information without recording his name and identity, if the complainant gives any specific information on phone or through e-mail.” We are following Blackstone's formulation principle that “It is better that ten guilty persons escape than that one innocent suffer”. It is only helping the corrupt.

The senior citizen opined, “If public authorities are really serious in fight against corruption, there is a need to instil faith in the public that policy of ‘Zero Tolerance’ will be followed in letter and spirit. There is a need for effective deterrence, which requires that:

*a) Cumbersome and lengthy departmental enquiry procedure is reviewed to ensure timely and effective action against delinquent officials. The existing penalty provisions provided in CCS (CCA) rules/ CDA Rules may also be reviewed to plug the existing loopholes. The penalty of ‘Censure’ may not be part of Minor Penalty. It could be a part of administrative action. Further, under Major penalty there shall be provision only for penalty like removal, dismissal from service, compulsory retirement and reduction in Rank. The Major penalty action may be initiated only in those cases*

*where misconduct is of serious nature i.e. bribery, fraud, conviction by court, misuse of authority / manipulation of rules to obtain undue gain/ give undue benefit etc. In other cases of misconduct i.e. procedural lapses, if considered necessary only minor penalty proceedings may be initiated, so that departmental action could be completed expeditiously.*

*b) There could be a centralised agency like CDI Wing of CVC for conducting departmental Enquiries for timely completion of enquiries and in unbiased manner. These wings may be set up in different regions of the country by Central Vigilance Commission.*

*c) Whistle Blower system be strengthened to have public confidence;*

*d) The guidelines regarding filing of anonymous/ pseudonymous complaints may be reviewed. The information given regarding specific case, not more than three month old, may be taken up for verification.”*

Before we could complete our discussion the bus arrived. I said goodbye to my friends and boarded the bus.

The messages from the conversation was loud and clear that Public Servants will have to set right their house before the common man could be expected to join them in fight against corruption. The common man will certainly come forward if there is positive change among Public Servants.

**(Reproduced from CVC Newsletter ‘ Vigeye Vani’, special issue-Nov, 2016)**

## Q & A

**Q: Whether an employee can utilize Mileage points, earned on air tickets purchased for official travel, for his personal travel/ trips?**

**A:** No, mileage points earned on tickets purchased for official travel cannot be utilized for personal travel / trips. Free mileage points earned by employee on tickets purchased for official work shall be utilized for official travel only.

**Q: An employee has been awarded a penalty of 'Censure' on completion of departmental proceedings subsequent to recommendations of Departmental Promotion Committee (DPC), kept in 'sealed cover'. Whether his 'Sealed Cover' case for promotion can be opened?**

**A:** 'Censure' is a minor penalty, therefore, sealed cover cannot be opened. The employee is to be considered for promotion by next DPC only.

## Have you Taken Integrity Pledge

Central Vigilance Commission has envisaged a concept of "Integrity Pledge", to create great awareness and participation of the public in promoting integrity, to be taken by individual citizens as well as by corporates, entities, firms etc. affirming their commitment to prevent / combat corruption and to uphold highest standards of ethical conduct, transparency and good governance.

The "Integrity Pledge" is available as e-pledge from 31st October 2016 on the Commission's website <http://www.cvc.nic.in>.

It is time to exhort and make ourselves affirm to support the very cause by taking "Integrity Pledge" just by clicking menu driven button on

the home page and filling up some basic information. A certificate acknowledging and appreciating the commitment made by oneself would be issued by the Commission.

### Integrity Pledge for Citizens

*I believe that corruption has been one of the major obstacles to economic, political and social progress of our country. I Believe that all stakeholders such as Government, citizens and private sector needs to work together to eradicate corruption.*

*I realize that every citizen should be vigilant and commit to highest standards of honesty and integrity at all times and support the fight against corruption.*

- To follow probity and rule of law in all walks of life;
- To neither take nor offer bribe;
- To perform all tasks in an honest and transparent manner;
- To act in public interest;
- To lead by example exhibiting integrity in personal behaviour;
- To report any incident of corruption to the appropriate agency.

## Winners of Essay Competition Felicitated

On the occasion of Vigilance Awareness Week 2016, an essay writing competition was held in the company. The topic for essay writing was 'Public Participation in Promoting Integrity and Eradication of Corruption'. The winners of essay writing competition were awarded certificates by S K Sharma, Director (P).



**Congratulations!!**

Ist Position

Ms Sweta Chauhan, AM

IIInd



Ms Rooma Nagrath,  
GM (F)

IIIrd



Mr S G Thomas,  
Manager

IIIrd



Mr Sohams Guha,  
Dy. Manager

*Any suggestion(s) /query/ article(s) may be mailed to :- [cvo@stclimited.co.in](mailto:cvo@stclimited.co.in)*