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A. R. G. RLY., E. RLY., KOLKATA

OF RECEIPT

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Government of India
Ministry of Railways
(Railway Board)

RBA. No. 52/2005

No.2005/AC-II/25/19

New Delhi, Dated 3.09.2005.

✓ General Managers,

All Indian Railways/PUs etc.

E. Rly - Fairlie Place - Kalkatta - 1

Sub: Guarantee Bonds submitted by Contractors - streamlining of procedure reg.

A case has come to the notice of the Railway Board wherein a contractor has submitted fake bank guarantee bonds as security deposit. The fraud came to notice when the bank concerned was approached to encash bank guarantee in wake of termination of the contract. Preliminary investigations revealed that the contractor had himself brought the Guarantee Bonds and also the confirmation letter from the bank and handed them over to Officials dealing with BGs/ Agreements in the Engineering. Department. Independent verification for confirming the genuineness of guarantee bonds by deputing staff or verification with the bank through formal written reference as per required procedure was not done by the Railway. Appropriate action against the contractor involved in this case is under progress. However, it is seen that the non-compliance of the codal provision for verification of the guarantee bonds from bank etc. has facilitated the fraud. Therefore, it is considered necessary to review and streamline the procedure in regard to receipt, custody, renewal and disposal etc. of the securities in both Executive as well as Accounts wings to preclude any such instance in future. Accordingly, the following instructions are reiterated for strict compliance by the Railways:-

Executive Office

1. The guarantee bonds issued by Banks in connection with execution of contracts, etc. will be received in the Executive Office concerned and following checks shall be exercised:

- (i) It is in the prescribed form,
- (ii) It is correctly drawn up and stamped,
- (iii) The bond is valid for the period provided for in the contract and covers security for such period as might be necessary with reference to the relevant work and any subsequent maintenance/period/ relevant supply order so that the need for extension of a bond is not felt,
- (iv) The bonafide of every guarantee bond accepted should be ascertained by the Executive Officer concerned by addressing the concerned banks by registered post and written confirmation also obtained by registered post under the seal of the bank. This procedure should not be diluted in any circumstances.

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2. The guarantee bond shall thereafter be sent to the contract signing authority for acceptance. The executive officer shall ensure that the above requirements are fully met with before acceptance. After carrying out the above checks and acceptance as prescribed above, the particulars of the guarantee bond shall be noted in a register in the following form:

Sr. No.	Date	Name of the Depositor	Reference to agreement No./date/ purpose	Due date of completion of Work/Completion of delivery as per contract.	Name & address of the Banker furnishing the G.B.
1	2	3	4	5	6
Amount for which the Guarantee is offered	Date of expiry of guarantee bond	Initial of the Officer in charge	Remarks	Date & no. of release letter	Initial of the Officer in charge
7	8	9	10	11	12

In case the department has computerized monitoring mechanism for the guarantee bonds, the report format be modified suitably to ensure the above check.

3. The guarantee bond along with the confirmation of the Bank shall thereafter be forwarded to the associate Accounts Officer, indicating clearly that the checks mentioned in para 1 above have been carried out.

4. The register of guarantee bond ibid shall be reviewed every month in respect of guarantees likely to expire in the third subsequent month and the result put up to the Executive Officer in charge, to ensure that a close track is kept on the currency of the guarantee bonds and that they are extended from time to time, wherever necessary, for such period as might be necessary with reference to completion of the relevant contract and subsequent maintenance periods as may be provided for in the particular contract, or obtaining security deposit in one of the acceptable forms for an equal amount from the contractor/vendor concerned. As and when a guarantee bond is extended or security deposit in one of the acceptable forms is obtained from the contractor/vendor in lieu of guarantee, particulars thereof shall be intimated to the Accounts Officer concerned. Likewise, where a guarantee bond is cancelled or validity period has expired and the bond is not required to be renewed, necessary advice shall be given to the concerned Accounts Officer.

5. The Executive Officers shall, exchange with Accounts Officer a statement of bank guarantees every month, so that the position is reconciled with the record maintained by the Accounts Department and variations, if any, brought to light are rectified. The results of the reconciliation shall be put up to the Executive Officer and the Accounts Officer concerned.)

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6. In case a guarantee bond is required to be encashed, the Executive Officer concerned will advise the associate Accounts Officer under clear acknowledgement sufficiently in advance before expiry and the latter shall take immediate action for its encashment by the Bank concerned.

Accounts Office

1. On receipt of the guarantee bonds in the concerned internal check section of the Accounts Office, inter-alia it will be seen that the certificate mentioned in para 3 (that the checks mentioned in para 1 above) is given. Accounts Office shall not accept any bank guarantee for safe custody unless the bonafide thereof has been verified by the Executive Officer concerned and written confirmation as contemplated in the para referred to above has been obtained. After necessary scrutiny the particulars of the guarantee bonds shall be noted in a register in the following form:

Sr. No.	Contract No./ Order No. and Date	Name of the depositor	Due date of completion of Work/ delivery as per contract.	Name & address of the Bank furnishing the G.B
1	2	3	4	5
Confirmation Advice No & Date from the Schedule Bank in token of verification of Genuineness of the Guarantee Bond	Amount for which guarantee is offered	Date of expiry of guarantee bond	Month of reviews (3 months prior to the date of (Col. 8)	Date & no. of release letter
6	7	8	9	10
Remarks	Date & no. of release letter	Date & no. of release letter issued by Accounts	Date & no. of release letter	Remarks
11	12	13	14	15

A separate page of the register may be allotted for each month for entering in it the bank guarantee expiring in the particular month. (In case the department has computerized monitoring mechanism for the guarantee bonds, the report format be modified suitably to ensure the above check.)

2. The guarantee bond shall be sent to the concerned branch/ branch officer for safe custody in a sealed cover. The details of the guarantee bond shall be recorded in register as per following proforma by the branch / branch officer: -

- (i) Date
- (ii) Sr. No.
- (iii) Name of the party

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- (iv) Name of the Bank
 - (v) Guarantee Bond No. and date
 - (vi) Period of validity
 - (vii) Amount- Rs.
 - (viii) Initials of Branch Officer
 - (ix) Accounts Unit
 - (x) Reference to release letter no. and date
 - (xi) Date of return
 - (xii) Signature of the staff of the dealing section
 - (xiii) Initials of Branch Officer.

3. The register of guarantee bonds shall be reviewed by the internal checking section every month in respect of guarantees likely to expire in the third subsequent month and the results of the review shall be put up to the Sr. DFM/ Head of the Accounts Office concerned. In case the department has computerized monitoring mechanism for the Guarantee Bonds, the report format be modified suitably to ensure the above check.

4. The Executive Officer concerned shall then be addressed to initiate action to get the bank guarantee extended where necessary as long as may be required with regard to the date of completion of the contract and subsequent maintenance period as may be provided for in the relevant contract, date of completion of delivery or obtain security deposit in one of the acceptable forms for an equal amount from the contractor/vendor concerned.

5. Irrespective of whether action has been taken for renewal/extension of validity of the existing guarantee bond, if the Accounts Officer, considers that the action taken by the executive for renewal, extension is not likely to materialize before the actual date of expiry and that there may be some delay as a result of which the Accounts Officer may not be left with adequate time to advise the concerned bank to deposit the amount due under the guarantee, he will advise the concerned bank to deposit the amount due under guarantee. Similar action will be taken in cases where no advice is received from Executive Office for extension/ release of the guarantee bond 15 days before the expiry of its validity period. (This will ensure that contingency of the Railway having inadequate security deposit after expiry of the guarantee Bond does not arise.) The action, if any, taken by the Accounts Officer under this clause cannot be questioned because in the event of any delay in getting the bond extended or any dispute arising with the contractor, the Railway will lose the security in terms of the guarantee bond.

6. In any case, if the bank guarantee is not renewed, bills should not be passed for payment and the position should be brought to the notice of the Executive Officer concerned ~~semi-officially~~. In the case of works contracts, the Accounts Officer concerned should ensure that, where bank guarantee bonds are nearing the expiry period, payments still due to the contractors are examined so that sufficient amounts are retained with the Railway in case the bank guarantee bonds are not renewed in time.

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7. As and when a guarantee bond is cancelled or its date of validity has expired and the bond is not required to be renewed by the Executive Officer, the same should on receipt of an advice from the Executive Officer, returned to that office for being sent to the party concerned. It should be noted that the date expired guarantees are returned within reasonable period after fulfillment of the contract or on expiry of the guarantee period.

The Executive officers and FA&CAOs may supplement/complement the above instructions as per local requirements and issue detailed joint procedure orders for guidance of staff concerned and ensure strict compliance thereof through test-checks/field inspections periodically. Kindly acknowledge receipt. A copy of JPO issued in the matter may also be sent for Board's information.



(Sudhir Mathur)
Executive Director Accounts
Railway Board