

Minutes of the Annual Zonal/Sectoral Review Meeting-2012 with the CVOs of Banking Sectors held at Mumbai on 08.6.2012.

Shri Pradeep Kumar, Central Vigilance Commissioner chaired the meeting. Shri J. M. Garg, Vigilance Commissioner also addressed the participants.

List of participants is at Annex.

A. Introductory remarks

Central Vigilance Commissioner (CVC) while welcoming the participants, in his opening remarks, observed that India has a robust banking sector with sound checks and balances. He appreciated that despite the economic meltdown world over, the banking sector in India remained unaffected. He said that the guidelines in the banks are well formulated. The problems arise because of not following them. The CVC further stated that the RBI has recently released the data on Bank Frauds for the year 2011-12 which shows that while the number of frauds in Public Sector Banks was low, the amount involved in frauds was very high in absolute terms.

CVC also gave example of a borrowal unit which has raised approx. Rs. 1100 crores from various banks but the same was required to be categorised as a fraud. He also advised that the banks should give special attention to risk management. The CVC observed that the instances of fraud reporting in Public Sector Banks is much less than those compared to the Private banks but the amount involved in the fraud is much higher. He asked the Department of Financial services to look into the methodology adopted in both sectors. He underlined the practice of one time settlement of NPA in banks, which should not be a general norm for finding an escape route. He stated that vigilance should be viewed as an aid to the Management and not in an adversarial role. He further emphasised that the CVOs should focus on structured meetings with the Chief Executives of the Banks regularly. The CVOs should arrange regular trainings of vigilance staff to remove the knowledge gaps.

Shri J. M. Garg, Vigilance Commissioner [VC (G)] stated that the level of exposure per borrower or group in banks has now increased manifold viz. Rs. 500-1000 crores. Unless the banks understand the underlying risk, the same can erode bank's capital. The banks should address the risk management issues, assess and mitigate it and handle carefully. He further stated that the vigilance administration in banks should be more on the preventive, proactive and predictive side. The wrong doers must be punished but should not let loose the sense of insecurity among officials. He cited the example, that in one bank out of 110 cases, the ratio of dismissal was 80%. He, therefore, emphasised that the CVOs should work in coordination with management. Morale of the field officials needs to be kept high and they should not be demoralised with harsh penalties. The CVOs should strengthen the knowledge gaps. He also expressed the need for reduction in gross NPA. The Vigilance Department should have adequate manpower. The websites of Banks & Insurance Companies, especially the LIC, must carry Citizen Charter. The structured monthly/quarterly meetings must be purposeful and with value additions. CTE type inspection in Banks and Insurance Companies should be taken up seriously. Banks and Insurance companies should popularise their Whistle Blower Policy and encourage citizenry to come forward in unearthing the frauds. He desired all Banks to develop software for scrutiny of APRs in order to analyse cash-flow of employees for justification of property returns. He felt that in purchase of property a high

amount is involved and it should be ensured that the systems, procedures and methodology prescribed are followed in procurements.

Shri Anil Sinha, Additional Secretary [AS (A)] emphasized the need for issuing prosecution sanctions within the prescribed time-limit of 3 months. He informed that the banks and insurance companies are taking much time in completing the departmental inquiries and asked the CVOs to adhere to the time-limits prescribed by the Commission. He also emphasized that the banks and insurance companies ought to provide adequate and skilled officials in their vigilance department. The CVOs should be more prudent while agreeing to or otherwise with the findings of the IACs. The CVOs should analyse the data that suggest that the vigilance administration is soft on senior officers as compared to junior ones. The banks and insurance companies should widely circulate the notices inviting applications for the post of CVOs so that adequate number of willing officers apply.

Shri Ramesh Chandra, Chief Technical Examiner [CTE] gave a presentation on tender and work execution. He stressed that the transparency should be followed right from the EOI stage. He suggested that the Quality Assurance Plan should be in place to address Design and Quality issues in civil works. Wasteful expenditure and time-over-run must be avoided. Shri Anil Sinha, Additional Secretary stated that not disclosing the proprietary criteria in tenders lacks transparency and should be eschewed with. Technical and Financial bids must be sought simultaneously. In order to avoid restrictive bidding, the Financial Performance criteria of bidders should be taken for longer periods rather than for the previous year. He also emphasised to go through the CVC circulars for guidance.

B. Organisations specific

1. Department of Financial Services (DFS)

Shri Anurag Jain, JS & CVO, DFS informed that there is procedural delay at DoPT level in prosecution sanction cases and informed the Commission that this was one of the reasons which resulted in delay in sanction of prosecution cases. The Commission asked the CVO to go through the check-list circulated by the DoPT in the matter and the same should be adhered to. CVC further stressed that the large frauds at corporate level should be given more serious attention.

CVO, DFS informed that there are not adequate applicants for the post of CVOs in Banks/insurance Companies. The DFS is examining if CVOs in Insurance Companies can be brought from outside. The implementation of Core Insurance Solutions in all Insurance Companies is expected to be in place this year. He further informed that the issue of online tracking, biometric passwords and Citizen's Charter are under active consideration of DFS. He also advised banks to update data of borrowers in CIBIL database regularly. The CVO also informed that the Secretary (Finance) has advised CMDs of banks to analyse the NPA data and take remedial action for reducing it.

2. Union Bank of India

Smt. Jyotsna Jamkhandi, CVO informed that the bio-metric password based internal monitoring system was tried as a pilot project which did not give encouraging results. It is being re-looked. CBS training of administrative staffs and SMS registration drive have been

launched. Significant number of frauds and irregularities in LC discounting has been detected. Whistle Blower policy is in place and masking of identity of complainants are being done at CVO level. On preventive vigilance, she informed that more than 400 visits have been made to branches to create awareness.

The CVC asked the CVO to remove the difficulties observed and let the Commission know the status after implementation of IT-Biometrics etc. He expressed his concern on forging of LC. AS (A) emphasized on plugging the loopholes in LC related frauds.

3. Bank of Baroda

Shri Raju Gupta, CVO informed that loss of assets of RRBs in BoB's control has increased from 3% to 9%. One major fraud of forged cheque has been detected. Knowledge gap found in vigilance staff. Whistle Blower policy is in place in the Bank.

CVC asked the CVO to put Online Tracking System in place and arrange special training of vigilance staff.

4. Bank of India

Shri Vivekananda Das, CVO informed that there are different pattern of frauds in different regions and LC discounting/forgery is the major contributor. He informed that identification and flagging off of suspected transactions has been automated with the implementation of Real Time Monitoring Software. LC discounting has been restricted to 20 branches only. Bank Manuals needs to be updated. AS (A) expressed his dissatisfaction and stated the CVO was already asked in the last meeting to revise the Manual. CVC expressed concern on the delay in disposal of proceedings.

5. Central Bank of India

Shri Bharat Dave, CVO informed that various check methods on preventive side have been introduced. SMS alerts beyond a certain cut-off limit also go to RM. Almost all HR functions are online in HRMS. Security through Biometrics as a pilot project has been introduced. Online tracking and reporting of frauds is under process. CVC asked the CVO to sort out it with the management. He stressed that the honest people should be protected and delay in vigilance cases should be cut down. On VC (G)'s observation on spurt of NPA, the CVC asked the CVO, DFS to look into it more deeply.

AS (A) observed that the quantum of punishment meted out to the officials below level-5 is much higher as compared to that on level-5 and above. He said that the staff accountability at higher level should be looked into more seriously. CVC further added that the yardsticks for similar offences at higher level are different even in government and that the burden should not be passed on to juniors who simply process the matter. VC (G) stated that the credit management needs lot of improvement and desired skills of respective officials should be undertaken on priority.

6. Dena Bank

Shri R S Bora, CVO informed that the organisation is very small and no complaints are pending. He said that the Vigilance is inadequately staffed which causes delay in processing of complaints. VC (G) advised the CVO to be cautious about the role of middlemen which

often leads the account turning NPA. CVC stated that due diligence should be given to take over of accounts. He also advised the CVO to ensure rotation of staff to prevent frauds and bring the issue in the structured meetings with the CMD.

7. Bank of Maharashtra

Shri Harnagle Dilip Ratiram, CVO, Bank of Maharashtra informed that there are no complaints or prosecution sanction pending. All the branches of the Bank are on CBS platform including RRB. Electronic verification of vouchers is in place. Online tracking system is in place for internal use and the customer interface will be completed by March, 2013. System of biometric password has been implemented. Online Whistle Blower Policy with the CVO as designated Authority has been introduced which has made the Bank save Rs. 7 crores. A cash incentive scheme for whistle blowers has also been introduced. CVC asked him to go cautious on cash incentive. The CVO also informed that the staff strength in vigilance unit is adequate and are well trained. Structured meetings with the CMD are held regularly. He further stated that he has conducted two CTE type inspections. However, VC (G) observed that there is considerable delay in completion of departmental inquiries and this should be checked.

8. RBI

Shri Kaza Sudhakar, CVO, RBI informed that CTE type inspections are in place for contracts of Rs. 50 lakh and above. The online tracking system is available to customers. The reports in changes in APR are auto generated and financial budgeting system has been introduced for all levels. Whistleblower experience is also being shared in RBI.

9. IDBI

Shri S W Tanksale, CVO, IDBI informed that in connection with the MSME and HL frauds in Gauhati and Vizakhapatnam, the Head of Retail Hub has been suspended and empanelled advocates & CAs depanelled. Regarding restricted use of online tracking system by some Banks, Shri Anurag Jain, CVO, DFS informed that the matter has already been taken up with CMDs of Banks and other banks will follow. CVC advised that an independent third party survey be conducted by DFS for feed back on such systems.

10. NABARD

Shri C K Gopalakrishna, CVO, NABARD, informed that no complaint is pending. The vigilance activity is at a very low profile as there is hardly any complaint from public. On system improvement he informed that its tender for computerisation has been awarded and assured that the work will be completed by October, 2012. The Commission expressed its unhappiness on delay in computerisation and asked the CVO to adhere to the deadline.

11. National Insurance Co. Ltd. (NICL)

The CVC expressed deep anguish at high pendency and lax vigilance administration. VC (G) observed that the decisions of DAs in clear cut fraud cases are prima facie not reasonable, investigations are not done properly and timely, and no concern shown for vigilance administration. Shri Sivaraman, CVO, NICL, informed that he is handicapped with poorly

skilled staff, inadequate staff, unwilling or untrained IO/POs and frequent transfers etc. VC (G) advised the CVO to place the issue in the structured meeting with CMD.

12. New India Assurance Co. Ltd. (NIACL)

Shri K. V. Pathak, CVO, NIACL informed about the same difficulty as faced by NICL. He assured that things will be improved once the CMD addresses the concern of the Commission.

13. Oriental Insurance Company Ltd.

Mr. Nawang Tobdan, CVO, OICL underlined the need of improved efficiency of vigilance work in Insurance Sector. He expressed the view that the vigilance personnel in Insurance Sector are not adequate. The average age of the vigilance officers is very high, which reduces the efficiency and need to be replaced with younger personnel. He informed that the lack of knowledge on the part of vigilance officials is also responsible for delays in investigations. CVC advised to organize more training programmes to address the problem, and for improving the computerization in vigilance activities. Regarding frauds, CVO stated that though the number of frauds is very large but the amount involved is meagre. He also felt the need for better guidelines to field functionaries w.r.t. insurance policies. He also felt the need for better co-ordination with the state police.

14. General Insurance Co. Ltd. (GICL)

Shri Nallakuttalam, CVO, GICL informed that the total staff strength of the Company is just 500 and vigilance activity is at a very low profile. There is no pendency. He also informed that the CVOs once posted in the Insurance Companies do not get the benefit of further promotion and get stuck there even for 10 years. There is general reluctance to man the post among Insurance Officers.

15. United India Insurance Co. Ltd. (UIICL)

Shri Rajasekharan, CVO, UIICL informed that online submission of APRs and grant of vigilance clearance have been introduced. He also informed that Vigilance Manual has been prepared and real Time Online Settlement started. However, he felt staff crunch.

CVC advised that the vigilance administration in Insurance Sector be given more importance and priority, managements should provide adequate and skilled manpower, IT adoption should be speeded up to compete with private sector and training courses be organised for knowledge and skill up gradation of vigilance officials.

16. LIC of India Ltd.

Shri P G Joshi, CVO, LIC informed that the IOs at operational levels are taking much time in concluding the inquiries. The CVO also informed about the stagnation of CVOs in same post without promotion during the last 10 years.

Commission expressed its serious concern over prolonged delays in disposal of complaints and cases. CVC asked the CVO to convey the concern of the Commission to the CMD.

C. Concluding Remarks

Secretary, CVC while summing up the discussion, observed that the Banking sector should develop mechanism to insulate it from frauds. The leveraging of technology should be suitably adopted in Banks and Insurance Companies to bring in transparency and accountability. He also thanked Bank of Baroda for their hospitality in hosting the meeting.

The meeting ended with a vote of thanks to Chair and the participants.

List of Participants for the meeting on 08.06.2012 (Banking Sector-I):

1. Shri Anurag Jain, JS & CVO, D/o Financial Services
2. Smt. Jyotsna M. Jamkhandi, CVO, Union Bank of India
3. Shri Raju Gupta, CVO, Bank of Baroda
4. Shri Vivekananda Das, CVO, Bank of India
5. Shri Harnagle Dilip Ratiram, CVO, Bank of Maharashtra
6. Shri Bharat Dave, CVO, Central Bank of India
7. Shri Ramesh Singh Bora, CVO, Dena Bank
8. Shri S.W. Tanksale, CVO, IDBI
9. Shri Kaza Sudhakar, CVO, Reserve Bank of India
10. Shri C.K. Gopalakrishna, CVO, NABARD
11. Shri S. Sivaraman, CVO, National Insurance Co. Ltd.
12. Shri K.V. Pathak, CVO, New India Assurance Co. Ltd.
13. Shri Nawang Tobdan, CVO, Oriental Insurance Co. Ltd.
14. Shri S. Nallakutalam, CVO, General Insurance Corpn. of India
15. Shri Rajasekharan, CVO, United India Insurance Co. Ltd.
16. Shri P. G. Joshi, CVO, Life Insurance Corpn. of India

CVC officials:

1. Shri K.D. Tripathi, Secretary
2. Shri Anil Sinha, Addl. Secretary
3. Shri Anil Singhal, CTE
4. Shri Ramesh Chandra, CTE
5. Shri N.K. Jain, Advisor
6. Shri S.N. Munshi, Advisor
7. Shri P.K. Malhotra, Advisor
8. Shri M.A. Khan, Under Secretary(Coord-I)
9. Shri Prashant Kr.Singh, RO
10. Shri Raj Kumar, Section Officer