

## Central Vigilance Commission

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### Minutes of the Annual Zonal Review Meeting with the CVOs held on 11<sup>th</sup> February 2009 at Mumbai.

The list of participants is at **Annexure-A**.

CVC in the Chair. The meeting started with welcome address by the Chairman, State Bank of India and introductory remarks by CVC and the Vigilance Commissioners. This was followed by presentations by CTEs on the inadequacies observed in the CTE examination of the works and procurement contract pertaining to the organizations present in the meeting. Copies of the presentation of CTEs were provided to the CVOs for reference during the meeting. This was followed by presentation from the participating organizations on the agenda items (**Annexure-B**). During the presentation by participating organizations, the Commission intervened and made some observations. The observations needing follow up action are indicated in the minutes later.

#### **2. Welcome Address:-**

2.1 Shri O P Bhatt, Chairman, State Bank of India welcomed the Commission and the participating organizations. He stated that the present global recession has had little effect on the Indian Banking Sector mainly due to sound banking systems/ mechanisms and procedures. He mentioned that, our Banking systems/procedures have been praised in several International forums and there has been a spurt in remittances/deposits from foreign countries which simply indicated the confidence gained by Indian Banks internationally. He also appreciated the efforts and role played by institutions like the RBI and CVC He emphasized that CVC has to play a balancing role and follow the middle path. He also predicted on the possibility of burgeoning problems in the coming days due to dynamic and recessionistic nature of the economy, like high NPAs and issues of staff accountability etc.. Managing assets and looking into issues of errors of judgment would need to be done very carefully keeping in view the overall scenario. He called upon all vigilance functionaries to take a holistic view in all such cases of fixing staff accountability. He welcomed the fact that CVC has been reviewing the systems in place in the Banking Sector at this point in time.

### **3. Introductory Remarks:**

#### **3.1 CVC:**

- i) While acknowledging the challenges ahead CVC observed that Vigilance was a Management tool and was not to be viewed in adversarial relation with the rest of the Management. He drew attention to the role of vigilance as an effective tool for good governance, and emphasized that Vigilance was nothing but a generalized accountability system;
- ii) The annual meeting with the CVOs of the Banks has been an important event in view of the role played by the Banks which reflect the status and health of the economy. Further, the Commission has granted a special dispensation to Banks unlike other PSUs, in view of the special place of Nationalised banks in the growth of the economy. CVC explained that the Commission has been pooling local expertise to handle cases with that special perspective on the Banking Sector;
- iii) CVC emphasized that Complaint handling system should be accorded paramount importance in Banks and needed to be centralized He stressed on the role of CVO in deciding vigilance angle in all such complaints. CVC also stated that developing and sustaining trust and faith in the Banks was important for the health of the Banks
- iv) CVC stressed the issue of leveraging of technology. With core banking system in place in all the banks, there was a need for conducting independent IT audit of all systems through external agencies by all the banks. The frequency of such audit was a crucial factor for checking subversion etc.;
- v) Job segregation and clarity in roles of officers in Banks was necessary. A disturbing trend has been observed by the Commission that oral orders have been frequently issued which have not been confirmed in writing subsequently. . Herein, there was a need to examine supervisory failures and fix responsibility by the Banks in all cases This aspect should be paid attention by the managements of Banks;
- vi) CVC observed that at Appeal/Review stages, there has been a marked tendency to dilute the punishments in Banks and mere compassion should not be the rule or else it would prove destructive for the system;

vii) CVC requested the participant CVOs to strictly go by the agenda items sequentially and highlighted the following issues :

- a) Status of implementation of the Commission's guidelines on leveraging of technology;
- b) New initiatives undertaken in preventive Vigilance which is more important than punitive aspects in Banks.

4. **VC(R)**

i) At the outset, the added advantage of Banks when compared with PSUs etc, was highlighted as CVOs in the Banks were core bankers. She stated that CVOs of banks were the eyes and ears of the Commission and a certain amount of alertness was expected from CVOs. She explained the recent initiatives of the Commission with the CMDs of some banks etc.

ii) She called on the need for CVOs to go through the case with care and understand the cases objectively, supply enough data/information while referring cases to the Commission. CVOs should examine the role and responsibility of Controlling officers and give explicit recommendations in each case to avoid back references;

iii) Quality of Internal Audit inspections/report should be looked into as audit was one of the important areas in the banks. Special letters of IA should come in the normal course to CVO for scrutiny;

iv) Functioning of the Internal Advisory Committee (IAC) should be objective and in some banks, only cases having vigilance angle were coming to the CVO from the IAC. All issues /complaints should come to the CVO to decide vigilance angle or not;

v) The vigilance audit conducted by the Commission in the banks has revealed that the CVOs did not receive all the complaints and these were coming through other departments to the CVOs. CVOs were advised to go through all complaints to look for vigilance angle. Further, complaint handling systems need to be put in place by Banks;

vi) With regard to take over accounts, it should be ensured and checked whether all norms and procedures prescribed were followed and the quantum sanctioned while taking over the accounts properly analyzed and amount sanctioned was justified or not;

vii) Delays in passing cheques purchased/ for collection by other banks and sent to banks was another area for concern and needed to be streamlined;

viii) In matters of Guarantees issued, banks needed to follow clear cut guidelines which exist for sending them to the beneficiaries directly and were not to be given to clients, CVOs should oversee implementation of the same.

ix) For creation of mortgage, the Bank officer is supposed to accompany the lawyer as per laid down instructions. This should be enforced and checked;

x) In Proposals in which unaudited balance sheets were taken into consideration, audited ones should be obtained quickly to ensure the assets and liabilities were correct;

xi) Quality of charge-sheets needed improvement and was an area of concern in some banks. Reports of IO, likewise, whether findings were objective and based on procedures and relevant rules should be examined by CVOs independently;

xii) CVOs should use the monthly report as a real communication tool and should not be treated as a mundane exercise and CVOs must report status of pendency and also monitor such pendencies;

xiii) On the instances of directions of Controlling Officers for conversion of hypothecation into pledge, over limits etc, first it was to be seen whether directions were practicable. The stand of sanctioning authority that there was no approval was not acceptable, and they needed to respond within a reasonable time. Such delays and related issues should be looked into by CVOs;

xiv) On resubmission for reconsideration of a case to the Commission, CVOs should see if, additional information was available for a reference to Commission;

xv) Information/data on frauds should be converted into case studies to examine how things went wrong and should be shared amongst the officials in trainings and through newsletters etc.

## 5. **VC(S)**

i) VC(S) highlighted problems in effecting payments of revised pension to Govt. pensioners and the large number of complaints

being received against Banks which has been a source of harassment and cause for unpopularity of the system in banks;

ii) He suggested that Banks could pool in their resources and consider developing their own arrangements for handling IT audit related issues.

**6. Presentation by the participants:**

**6.1 Leveraging of Technology:**

Most of the banks were well advanced in implementation and would have systems in place shortly. However, some Banks were lagging behind in second phase of implementation for online status of applications which needed to be hastened.

**6.2 Access of CVOs to complaints:**

In most of the Banks, the CVOs did not have access to all the complaints. It was advised that the CVOs should go through all the complaints to ensure that complaints with vigilance angle were attended to properly.

**6.3 Structured meetings between CVOs and the CMD:**

During last year's annual zonal meetings, the Commission requested the CVOs to have monthly or quarterly structured meetings with their CMDs as per their requirement with a proper agenda and minutes of the meetings. It was observed that this was not being followed in many of the Banks. The Commission directed the CVOs to immediately commence the practice and report compliance in the monthly reports immediately, with a copy of the minutes of the meetings so held.

**6.4 Agreed List:**

Most of the organizations have prepared an "Agreed List".

**6.5 Pendency of First Stage, Second Stage advice, further reports etc.:**

There was a need to reconcile the figures in most of the Banks. CVOs should access the Commission's pending list in respect of their Banks and regularly reconcile the figures.

## **6.6 Training and adequacy of vigilance staff:**

Most of the Banks reported that the arrangements were adequate. However, new Vigilance officers inducted need to be sent to CBI Academy and arrangements for training at SBI/Union Bank of India Training College which had good facilities need to be explored.

## **7. Action Points:**

i) QPRs from many Banks were either being received late or incomplete. CVOs of some banks were not certifying whether all works/contracts have been mentioned and reported to CTE. CVOs to ensure full compliance.

***(Action: All Banks)***

ii) Each Bank should make at least one CTE type inspection in a quarter of major contracts/procurements and should send one such inspection report every year for information to Commission. Some Banks expressed non-availability of technical staff for such purpose in the zones/regions. CTE may organize a workshop on technical issues, if necessary, for vigilance officers of such banks.

***(Action: All Banks/CTE)***

iii) The banks should keep reporting from the next monthly report onwards on the progress made on implementation of second phase of leveraging technology.

***(Action: All Banks)***

iv) The Banks were directed to take advantage of the training facilities available in the SBI and Union Bank Staff College.

***(Action: All Banks)***

v) CVO, State Bank of India mentioned that they have a system of awards for detection of frauds to employees. CVC desired that such cases should be highlighted on Bank's website and published in internal journals for greater awareness.

***(Action CVO, SBI)***

vi) As regards land records, mortgages of properties and frauds noticed by Banks, the issues with the State Govt/Revenue Authorities were brought up by several Banks. CVC desired that all CVOs may send their suggestions to the Commission. Advisor (VKN) to prepare a discussion paper, thereafter, to take up with the Department concerned.

***Action: All Banks/Adv (VKN)***

vii) The Commission observed that the pending implementation data of cases of Ist/IIInd stage, complaints pending reports including PIDPI ones and further clarifications (FI) etc, as per Commission's database and the CVO's records varied to a large extent. All CVOs were directed to regularly reconcile the pendency with the Branch Officers concerned, so that the actual pendency is reflected.

**(Action: All Banks)**

viii) CVO, SBI also raised doubts as to how implementation of CVC advices is to be considered in Ist stage cases. Commission desired that a clarification may be issued to all CVOs in this regard.

**(Action: Commission)**

ix) CVO, UCO Bank reported that one case was pending for enquiry in which the CDI was changed four times and was still pending. CVO may submit details of all long pending cases to the Commission.

**(Action: UCO Bank)**

x) CVO, UCO Bank informed that a comparative study of frauds over the last five years was conducted. CVO should send a copy of the study report to the Commission.

**(Action: UCO Bank)**

xi) CVO, SBoM, informed of a case of cash shortage of Rs 16 lakhs detected by Vigilance recently. CVO was asked to report details of the case in the next monthly report to the Commission.

**(Action: CVO, SBoM)**

xii) The Commission would write to all Banks on the issue of delays and problems in dispensing Pension to the Govt. pensioners.

**(Action: Commission)**

xiii) The banks should send a report to the Commission within one month about RRBs under their control and the systems in place to address vigilance issues especially preventive vigilance in the RRBs.

**(Action: All Banks)**

xiv) On the issue of mortgage of properties, the role of lawyers and valuers was discussed and in instances of any failure/lapses on the part of lawyers and valuers, action was required to be initiated for debarring etc.

**(Action: All Banks)**

xv) State Bank of Indore informed that the system of Internal Audit was not upto mark. CVO was asked to observe and report on the quality of IA to the Commission on a quarterly basis on the steps taken to improve.

***(Action: CVO, State Bank of Indore)***

xvi) CVO, SBI raised the issue of difficulty being experienced in supplying copy of CVC IInd stage advice to the charged officers, in terms of CVC's circular of 15<sup>th</sup> January 2009. It was explained that in Banks, the case is referred to the Commission after obtaining the COs representation and therefore, the procedure prescribed is not followed. Commission desired that the issue would be examined to ensure uniformity.

***(Action: Commission)***

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**LIST OF PARTICIPANTS**

**Chief Vigilance Officers**

1. Shri Narendra Prasad, CVO, State Bank of Bikaner & Jaipur
2. Shri R.K. Sharma, CVO, State Bank of Indore
3. Shri R.K. Rawat, CVO, State Bank of Hyderabad
4. Shri T. Thomas Mathew, CVO, State Bank of Mysore
5. Shri D.G. Patwardhan, CVO, State Bank of India
6. Shri N.S. Chahar, AGM (Vig), State Bank of Patiala
7. Shri M.K. Nanjunda, CVO, State Bank of Travancore
8. Shri B.K. Mitra, CVO, Allahabad Bank
9. Shri V.P. Singh, CVO, UCO Bank
10. Shri Arun Bisaria, CVO, Industrial Development Bank of India

**Commission's officers**

1. Shri K.S. Ramasubban, Secretary
2. Shri V. Ramachandran, CTE
3. Shri V.K. Gupta, CTE
4. Shri A.K. Nahar, Advisor
5. Shri V.K. Nanda, Advisor
6. Shri K. Subramaniam, OSD
7. Shri J. Vinod Kumar, Under Secretary

**AGENDA ITEMS FOR THE ANNUAL ZONAL REVIEW MEETING OF THE CVOs**

1. Status of implementation of Commission's guidelines issued vide Circular No. 40/11/2006 dated 22.11.2006 regarding leveraging of technology for improving vigilance administration.
2. CBI cases pending sanction for prosecution for more than 3 months, with reasons for delay. Pending references received from CBI for concurrence of the department/government u/s 6A of DSPE Act, for registration of RC/PE, along with reasons for pendency.
3. Adoption of Integrity Pact & its effectiveness in ensuring transparency and objectivity in procurement activities. Role assigned to IEMs in each organization.
4. Details regarding Regular/Monthly meeting of the CVOs with the Chief Executives, structure of Vigilance units and regular training to Vigilance officials.
5. CTEs paras/reports pending with the CVOs.
6. Result/details of CTE type inspection conducted by the CVO—case study and experience.
7. Cases pending implementation of Commission's 1<sup>st</sup> /2<sup>nd</sup> stage advice and FI cases.
8. Complaints pending with the CVOs for Investigation & Report including PIDPI complaints.
9. Mechanism adopted by the CVOs for investigating complaints referred by Commission under PIDPI Resolution.
10. Agreed List preparation and action taken by CVOs.
11. Status of implementation of Commission's guidelines issued vide Circular No. 32/12/08 dated 1.12.08 regarding references to the Commission accompanied by a tabular statement providing gist of the case.
12. New initiatives/good practices adopted by the CVOs.

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