

## Central Vigilance Commission

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### **Minutes of the Annual Zonal Review Meeting with the CVOs held on 12<sup>th</sup> February 2009 at Mumbai.**

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

CVC in the Chair. The meeting started with 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 contracts of 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. Introductory Remarks:**

##### **2.1. CVC:**

CVC requested the CVOs to stick to the sequence of the agenda items and underlined the following issues:

- i) Acknowledging the resilience shown by the Indian Banking Sector in the aftermath of global recession and challenges ahead, he observed that Vigilance was an important component of the Management. He drew attention to the role of vigilance as another aspect of good governance;
- ii) Technology definitely was better grounded in the Banks but the second phase has only been partly implemented. All Banks were to ensure that the second phase was done within a fixed time frame;
- iii) There was a need to develop the system of IT Audits by setting up an Organization by the Banks themselves pooling resources;
- iv) The attention should be paid to the instances of supervisory officers not properly looking into cases and tendency on their part to pass the buck onto lower level officials.

- v) Complaint handling system was important and needed to be centralized. CVC emphasised the role of CVO in deciding vigilance angle in all such complaints;
- vi) Value addition by CVOs on investigation reports and inquiry reports and on DAs views were crucial and important;
- vii) Monthly reports were critical and should contain qualitative aspects in reporting.

**3. VC(R)**

- i) At the outset, the added advantage of Banks when compared with PSUs etc. was highlighted as CVOs were core bankers familiar with the industry. Relatively the task was easier, but needed attention and application by CVOs. She explained the initiatives undertaken by the Commission recently with the CMDs of some banks, IBA, CTE's interaction with IT officers of banks etc. A positive development was the proposed half yearly meeting with CBI officers and banks;
- ii) She observed that CVOs should go through the case with care and understand the cases properly and provide complete information while referring cases to the Commission. She stated that CVOs tend to be evasive in giving their independent comments. Further, CVOs need to examine the role and responsibility of Controlling officers and give explicit recommendations in each case to avoid back references;
- iii) 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;
- iv) 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;
- v) Functioning of the Internal Advisory Committee (IAC) needs to be objective and in some banks only cases having vigilance angle have been coming to the CVO from the IAC. All issues /complaints should come to the CVO to decide vigilance angle or otherwise.

- vi) The vigilance audit conducted by the Commission in banks 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 needed to be put in place by Banks;
- vii) With regard to take over accounts, it should be ensured that proper procedures in process of take over were followed and the quantum sanctioned while taking over the accounts were properly analyzed and amount sanctioned was justified or not;
- viii) Delays in passing cheques purchased/ for collection by other banks and sent to banks was another area for concern and needs to be streamlined;
- ix) In matters of Guarantees issued, large number of frauds were noticed, and there was a need to follow clear cut existing guidelines for sending them to the beneficiaries directly and not to be given to clients. CVOs should see whether these were followed or not;
- x) For creation of mortgage, registering charge etc, the Bank officer was supposed to accompany the lawyer as per laid down instructions. This should be enforced and checked;
- xi) Inter bank re-conciliation of accounts was one important area which needed focus by Banks;
- xii) Quality of charge-sheets need 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;
- xiii) CVOs should use the monthly report as a communication tool and this should not be treated as a mundane exercise. CVOs should report the initiatives taken and also monitor delays/ pendencies. Issues pending over three months, CVOs need to provide an action plan;
- xiv) It need to be ensured that KYC norms were being followed by conducting regular checks;
- xv) Tendency to tone down punishment orders by Appellate Authorities, instances of glaring differences need to be examined and reported by CVO;

xvi) Information/data on frauds should be converted into case studies to examine how things went wrong and be shared amongst the officials in trainings and through newsletters etc. Preventive Vigilance and thorough IT audit of systems should be the focus.

**4. VC(S)**

i) VC(S) stated that technology levels of IT applications in Banks being very high, Vigilance needs to be alert and focused to avert and also detect subversions by insiders and outsiders;

ii) He stressed that fraud cases, the lessons drawn and counter measures taken was important for effective Vigilance supervision;

**5. Presentation by the participants:**

**5.1 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 completed within a time frame.

**5.2 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.

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

During last year's annual zonal meetings, the Commission has 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 is 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.

**5.4. Agreed List:**

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

**5.5 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.

**5.6 Training and adequacy of vigilance staff:**

Most of 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 Colleges who had good facilities need to be explored.

**6. Action Points:**

i) QPRs from many Banks were either being received late or incomplete. CVOs of some banks are not certifying whether all works/contracts have been mentioned and reported to CTE. CVOs should 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) All 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) 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, so that the matter can be taken up with the Department concerned.

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

vi) 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 need to regularly reconcile the pendency with the Branch Officers concerned, so that the actual pendency is reflected.

**(Action: All Banks)**

vii) 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)**

viii) 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 should be initiated for debarring etc.

**(Action: All Banks)**

ix) CVO, Bank of Baroda stated that the Bank has an internal whistle blower policy in place approved by the Board. He mentioned about a communication from the Commission stating that CVO, BoB cannot receive whistle blower complaints. It was clarified that under PIDPI Resolution, CVC is the designated agency who can only receive PIDPI complaints and there was no problem if organizations/banks lay down internal whistle blower policies. However, CVO, BoB should send a copy of the communication of CVC for clarifying the issue.

**(Action: CVO, Bank of Baroda)**

x) CVO, Bank of India should regularly interact and review the functions of Zonal Vigilance officers who conduct investigations/vigilance work. Also there was need to follow-up and monitor long pending cases for enquiry with IOs.

**(Action: CVO, Bank of India)**

xi) Deviations made at Appellate stages on punishment orders imposed by DAs, needed to be examined by CVO. Cases in which, CVC had tendered advices, were to be reported to the Commission.

**(Action: All Banks)**

xii) Internal mechanism need to be put in place to deliberate, analyse and take preventive measures by all Banks for non-borrower frauds.

**(Action: All Banks)**

xiii) PNB should send the details of the case which was sent to CBI for registration of case and was turned down,

**(Action: CVO, PNB)**

xiv) For fraud cases detected in Punjab and Sind Bank and Canara Bank, CVOs should do a detailed study, analyse and see how and why it occurred in order to plug loopholes and inform Commission.

**Action: CVO, PSB/Canara Bank)**

xv) Vigilance inspection should cover surprise physical cash balances in Branches, as it is a important area for preventive checks.

**(Action: All Banks)**

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**LIST OF PARTICIPANTS**

**Chief Vigilance Officers**

1. Shri N.K. Aggarwal, CVO, Union Bank of India
2. Shri K. R. Shenoy, CVO, Bank of Baroda
3. Shri Milind C Mulay, CVO, Bank of India
4. Shri Dilip R Harnagle, CVO, Bank of Maharashtra
5. Shri Amitabh.K. Narain, CVO, Central Bank of India
6. Shri J.P. Kurias, GM (Resources & Admn.)/CVO, Dena Bank
7. Shri R.S. Garg, CVO, National Housing Bank
8. Shri K.K. Saraf, CVO, Oriental Bank of Commerce
9. Shri K. Bhaskar, CVO, Punjab National Bank
10. Shri D. Gupta, CVO, Punjab & Sind Bank
11. Shri C. Krishnan, ED & CVO, Reserve Bank of India
12. Shri K.B. Jayaprakash, CVO, Canara Bank
13. Shri P.L. Behra, CGM & CVO, NABARD

**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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